MODERN BUSINESS

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JOSEPH FRENCH JOHNSON

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AND FIRST EDITOR-IN-CHIEF
OF THE

MODERN BUSINESS SERIES

Marketing Geography

By

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In collaboration with

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PREFACE

Market analysis has become a familiar and significant term in modern business, indicative of the seriousness with which the man who has something to sell is studying the needs, the preferences, and even the buying power of the people who may be expected to become his customers. Markets are people—human beings with pronounced tastes and long-standing habits, on the one hand, and highly variable impulses, on the other. As a result they have varying needs for the business man's goods or services. These attitudes, habits, and needs are seldom, however, the result of caprice or whim. Rather, they are the outcome of social and economic conditions determined in large measure by geographic and climatic factors.

Climate—not caprice—is responsible for the sale of more porch furniture, per capita, in the South than on the Canadian border. Roosevelt Dam—not consumers' caprice—is responsible for the new market that has been developed in the Southwest, where irrigated farms have succeeded to desert. Geography—using the word in its broad sense, to include the people and industries on the land as well as the land and its climate—furnishes the answer to many

of the market characteristics that puzzle the manufacturer.

The distributive agents of business make fully as intimate contacts as do the production executives with marketing geography. Obvious illustrations occur in the determination of sales territories and salesmen's routings, in the location of warehousing points, in the analysis of sales results by individual territories, and in the choice of advertising media on the basis of their coverage when analyzed territorially. For each, the explanation of perplexing variations must be sought in the peculiar characteristics of topography, or climate, or population that, together, constitute a particular market and set it apart from every other.

The business man who is seeking a more realistic approach to market analysis will find inspiration and practical assistance in this Text on "Marketing Geography." Its scope is twofold, presenting, first, a survey of the more important geographic factors involved in the creation and extension of markets, and second, a consideration of the points in business activity at which geographic analysis becomes vitally necessary. Throughout, the utilization of geographic information in an organized way is clearly illustrated.

The author, R. O. Eastman, president of R. O. Eastman, Inc., has an advertising and marketing experience extending over twenty-five years, and including a brilliant series of investigations in market research for both individual businesses and associa-

tions of business. Mr. Eastman organized the first study ever made of the coverage and character of readership of the national magazines, thus inaugurating the application of market analysis to the publishing field. He has conducted or directed market studies for almost every important industry, including department store retailing, the electric truck, plumbing, and window-shade industries, and individual businesses such as the Hercules Powder Co., the General Electric Company, the H. J. Heinz Company, and many others.

Dr. Julius Klein, Assistant Secretary, United States Department of Commerce, has brought to his collaboration with the author the breadth of vision and command of information resulting from an official preoccupation with the business problems of an entire nation. Doctor Klein entered the service of the Department of Commerce in 1917, after several years of investigation in Europe and Latin America preliminary to teaching at Harvard University. He has served the Department of Commerce as chief of its Latin-American Division, as commercial attaché at Buenos Aires, as director of the Bureau of Foreign and Domestic Commerce, and, more recently, as Assistant Secretary. His writings, lectures, and radio addresses have been a powerful force in the development of a more intelligent understanding of national and international economics.

EDITOR-IN-CHIEF.

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MARKETING GEOGRAPHY

CHAPTER I

WHAT IS MARKETING GEOGRAPHY?

1. *Wanted—a better knowledge of geography.*—"The boss doesn't know my territory!" While you read these lines, this lamentation doubtless is issuing from the lips of hundreds, perhaps thousands of salesmen. It comes alike from salesmen in Portland, Maine, and in Portland, Oregon; from those who file themselves away at night in the pigeonhole rooms of the New York skyscraper hotel, and from those who are lucky to share a bed in a tank town on the Nebraska prairies. It issues with equal fervency from the heart of the highly paid specialty salesman of power machinery, whose unit of sale runs into the thousands, and from that of his humbler brother, who covers the grocery and delicatessen trade.

The worst of it is that it is usually true. Taken by and large, the salesman in the field knows his territory—its people and its trade, its good points and its bad, its possibilities and its probabilities—infinitely better than does the man in the home office who is attempting to supervise his work. Doubt-

less, the man in the field should have, and always will have, a more intimate knowledge of his territory, in some particulars, than his superiors. Nevertheless, until the sales manager has fortified himself with sufficient familiarity to display a sympathetic understanding of those things that the salesman is expected to know, and a superior knowledge of those things about his territory that the salesman is not expected to know, but which are necessary to direct him intelligently, he can only expect that his missives of complaint, supplication, or cajolery will bring forth that time-honored echo, "The boss doesn't know my territory."

This is only one aspect under which the need of geographic knowledge in the management of sales displays itself. The "boss" has his own territory, and it consists of all of the sales territories or districts coming under his supervision. As a competent sales manager, he has many more duties and responsibilities with regard to his territory than the individual salesman has with respect to his. One of his fundamental duties is to know, with as much accuracy as possible, just where he is getting business, from whom, and why, and just where he is losing business, to whom, and why.

The sales manager who is growing with his job will never finish answering these questions to the satisfaction of himself and his superiors. If he is to answer them at all, he must know the geography of his market. More than that, he himself must lit-

erally construct a geography pertaining to the market with which he is directly concerned and the product that he has to sell.

Anyone whose work has taken him into the intimate councils of hundreds of businesses of different kinds, producing widely different varieties of products for equally different classes of consumers, cannot help being profoundly impressed by the grave lack of knowledge of even the fundamentals pertaining to markets on the part of those men directly charged with the responsibility for the marketing operations. Broadly viewed, these facts that are so much wanting are geographic facts. Many of them are easy to obtain. Others are more difficult, but, whether easy or difficult in the obtaining, they are prerequisites to efficient marketing.

2. *What is Geography?*—The word geography brings, to most of us, recollections of the biggest book in the schoolboy's kit, which gave us our first conception of many lands and peoples that we never expected to see, and burdened us with the task of learning many seemingly useless things about boundaries and capital cities, mountain ranges and prairies, oceans, lakes and rivers. Many of the things we learned or attempted to learn from our school geographies actually were useless and were entirely uninteresting, because they had not the remotest connection with our lives, then or later. There was nothing to make the geographic facts seem alive to us.

It is easy to imagine that school children, today, learn more real geography from the movies than they do from their textbooks. For, in the movies, they "go places and see things" and the things they see are generally interwoven with the activities of the people.

Let us begin by clarifying our conceptions of geography, and particularly of Marketing Geography. The literal meaning of geography is "the description of the earth," but the modern science embraces a great deal more than that. Taking an accepted definition of geography and divesting it of its abstruse terminology, we can arrive at the following simplified definition: *Geography is the organized knowledge of the country, with particular reference to the relationship of the country with its people.*

Since markets are people, and are defined mainly by the differences in the people who constitute them, particularly in their tastes and requirements, and since these characteristics are very largely determined or influenced by geographic considerations, it naturally follows that Marketing Geography becomes essentially a major aspect of the entire science of geography.

Geography is the most human of the sciences. Indeed, it is referred to by one authority as "the meeting place of the physical and the human sciences . . . the focus at which the rays of natural science, history, and economics converge to illuminate the earth in its relation to man."

3. *The practical value of geography.*—An eminent geographer, Hugh Robert Mill, comments upon the practical value of geography as follows:

It is often supposed that while geography is very useful to the sailor, the soldier, the missionary, and the traveller, who have to go from place to place, or to the merchant who has trading interests in distant lands, it has little concern with the life of the stay-at-home citizen. This is quite a mistake. Many of the interests of the present day are largely geographical, and the daily paper acquires a fresh and fuller interest when it is read in this light. Even to know where the places one reads of are, what is their climate, and how they are peopled, is something; but, taking the wider view of geography as the science which aims at explaining the adjustment of people to land, there is scarcely a problem of past history or of present politics and economics, in any country, which cannot be elucidated by the application of its principles.

When it is once realized that geography is not merely a description of the immobile surface of the earth, but a comprehensive study of the influence which the land exercises on its people, and of the reaction of the people on their own and on other lands, the value of the science and its practical utility will reveal themselves in many ways. Some may, perhaps, consider that geography is made to include too much, that it is made the center and the circumference of human knowledge; but this is simply an effect of perspective. Geography is not claimed to include the sciences whose results form its raw materials, any more than a house can be said to include the quarries, the forests and the mines which have yielded its stone and timber and metalwork.

4. *Subdivisions of geography.*—The broad science of geography is subdivided into various departments, each of which is a science in itself. Despite

the forbidding titles which the scientists give to these divisions, we are very much concerned with most of them when it comes to the consideration of markets and the marketing job. The first of these divisions is that which the scientist calls the fundamental department of geography, namely, *Mathematical Geography.* It deals with the size of the globe, the depth of the ocean, the axis of the earth, latitudes and longitudes, and the relationship of the earth to the solar system. The average salesman or sales manager finds his territory big enough without worrying about the solar system.

On the other hand, the size of his territories, as determined both by sales possibilities and by the amount of ground that his salesmen have to cover in cultivating them, is one of the chief concerns of the sales manager, and the mathematical geography of these territories comes in for a great deal of consideration in determining the territories themselves, their extent and location, in lining up the sales organization to serve them adequately, and in the development of sales projections, quotas, and budgets.

Physical Geography is a still more important matter, for in that department we are concerned with climates, mountains, deserts, rivers, and harbors, all of which have a very real bearing upon markets and marketing. When a sales manager in Cleveland decides that he cannot afford to route salesmen throughout the Rocky Mountain states, and therefore omits them from his plan of distribution, he may

not realize that physical geography has entered into his calculations, but that is nevertheless a fact. Physical geography provides the controlling element in the distribution of life over the surface of the earth, and thus leads into the next important phase or department of geography, scientifically known as *Biogeography.*

Biogeography deals with the reasons why various species of life are to be found in the regions where they exist. Our marketing minds are very much concerned with this division of the science, for most living things, animal or vegetable, are subject to cultivation, and, when civilization seizes upon them to turn them to commercial account, whether they be animals or plants, they have to be fed and served. The hogs of Iowa, the steers of Texas, the wheat of North Dakota, and the cotton of Alabama are just as literally consumers as are the people of New York, Chicago, or San Francisco.

The manufacturer of freight cars, who is working overtime to turn out an order for the Burlington, may take considerable pride in the thought that his customer is a great American railroad, whereas, in point of fact, his real customer may be the Great American Hog. If he doubts that assertion, let the cholera break out in the hog-raising sections and he will see how quickly his orders will be canceled. The hog, the hen, the milch cow and the beef steer have all become very much civilized. They do not have labor unions or consumer leagues, but they

render their services strictly on a basis of *quid pro quo.* They give only in return for what they get, and they have bankers, tradesmen, scientists, railroads, and even the United States Government working for them assiduously, day in and day out.

5. *Geography in relation to man.*—The most important division of animal life is that of man himself. This is true, even though we may be primarily concerned with service to the hog market, the beef market, the wheat market, or the cotton market, for only through the intermediary of man can we serve and sell these primary markets.

The science of geography recognizes the importance of man to the extent that the remaining departments of the science are devoted to him and to his activities. The first of these is called *Anthropogeography,* which treats of the distribution of the varieties of mankind and their living habits. Next comes *Political Geography,* which deals with the manner in which the human species have cut up the surface of the earth into political units to suit their convenience. It is to Political Geography that we owe most of our maps and our statistics, and also many of our commercial mistakes. Political boundaries have seldom been effected by commercial considerations and are, indeed, frequently at war with them.

Again, most of our available statistics are compiled with respect to political geographic divisions and therefore need a great deal of patching and

mending to make them fit commercial or marketing requirements. Even the United States Census, from which, until very recently, were derived almost all of our facts and figures with regard to markets in terms of population and its distribution, owes its existence primarily to the political consideration of providing a basis for representation in Congress. The service which the Census Bureau renders to business in the way of providing market statistics is, strictly speaking, a by-product of its original political function.

Finally, we have the department of *Commercial Geography,* which has to do with the exchange of products, or the traffic in commodities, with their production and transportation; in other words, with the buying and selling of the necessities and the luxuries of civilization.

6. *Consumption* vs. *production.*—A recent writer has said that his recollection of the geography of his school days was one of products, *products,* PRODUCTS. Geography, in these terms, had been a bore, so he set out to write a new one containing less about products and more about people.

Markets are people. The hog or the wheatfield may be the actual consumer, but it is *people* who have to be "sold." Marketing is the process of bringing together the product and the people who want it, or who can be made to want it. That is the economic task of the marketing manager. But his commercial function involves another consideration,

namely, that this transaction must be profitable to the producer.

Marketing Geography is concerned very directly with most of the divisions of the geographic science just enumerated, but not so much with the objective of what the land and its peoples *produce* as with what they *consume,* or can be induced to consume, with particular reference to a specific product.

Let us take, for example, the requirements of the marketing manager of an electrical household utility, such as an electric washing machine. In the study of the various territories which constitute his market, he is interested in only one thing, the sale of electric washing machines; and more specifically still, the sale of the one type or make of electric washing machine that his company produces.

Here is a coal-producing territory. The principal product is coal. Of what significance is that fact to the electric washing machine man? It is of interest in every respect in which it bears upon the question of whether this is a good or a poor market for electric washing machines. He may care very little about the number of tons of coal that are produced and shipped out of this region, but he is very much interested in the seasonality of its production, because that affects the steadiness of employment in the mines, which, in turn, tells him the best time or times of the year in which to attempt to sell washing machines and the seasons when it will be most difficult to collect installments.

He is interested in the wage scale as an indication of the proportion of families who might be induced to buy electric washing machines and the price that they can afford to pay. He is interested in the fact that most of the women of this community have to do their own work and that they have particularly dirty clothes to wash. Here, then, are a number of economic factors that have a vital bearing upon the market for this sales manager's product, all growing out of the single geographic fact that the principal product of this community is coal.

Two facts that the sales manager will determine with respect to this territory, or any territory that he covers, are the percentage of homes wired for electricity and the cost of power. These are also geographic facts, for it is the comparison of these percentages and costs in different parts of the country, or in different communities, that will largely determine the most productive and the least productive territories. These figures are, of course, closely related, for, the lower the cost of power, the larger the percentage of wired homes will be. On the other hand, these figures are also related to the character of the industries of the territory and the degree to which they have stimulated power development.

The character of the central stations, particularly with respect to their interest in promoting the use of electrical household utilities, will be of great importance to him, and this also is influenced by the industrial uses which these power plants serve. He

will study, also, such indices of buying power as the per capita ownership of automobiles and the proportion of homes equipped with telephones, as evidence of both the ability and willingness of the people of the community to buy.

REVIEW

From your own experience, recall other examples of inefficiency in the business world arising from inadequate knowledge of geography.

Define market, and show that markets are really geographic facts.

Outline the various divisions of geographic science, and the contributions of each to marketing geography.

Explain: "The service which the Census Bureau renders to business in the way of providing market statistics is, strictly speaking, a by-product of its political function."

Why is marketing geography concerned more with consumption than with production?

NOTE: The reviews throughout this Volume are for the personal convenience of the reader in testing his understanding of the chapter. It is not necessary or desirable for subscribers to submit written answers to the Institute except in a case where they may feel uncertain as to their grasp of the question under consideration.

CHAPTER II

INCREASING NEED FOR GEOGRAPHIC KNOWLEDGE

1. *The background of modern commerce.*—In its beginnings, commerce required very little from the producer of merchandise in the way of geographic knowledge of the territories or the people to whom he sold his goods. The first white salesmen in Illinois or Indiana were the venturesome traders who plied their canoes down the rivers to barter with the Indians. These hardy pioneers had to learn their territories without the aid of maps and to gain their knowledge of the people, their languages, and their wants, without the help of geography.

The makers of the knickknacks and gewgaws that the traders carried into the wilderness with them to exchange for furs and other merchandise, knew little about their ultimate consumers and probably cared less. They trusted blindly to the knowledge and sagacity of the traders, and listened open-mouthed to the weird tales of wild tribes with which the traders regaled them upon their return to the outposts of civilization.

The trader was the "middleman" of that age and his control of the middleman's function was absolute. Progress from that day to this, with respect

to knowledge on the part of the producer of merchandise of the territories and peoples who consume his goods, has been only relative. The average manufacturer in New York or San Francisco still knows comparatively few of the things he needs to know about the people who use his goods on the other side of the country, or in the broad stretches that lie between. Until within a generation, the dependence of the average manufacturer upon his middlemen—brokers, jobbers, and agents—has been almost as implicit and as helpless as that which was placed upon the Indian trader of pioneer days.

Without entering into any controversy with regard to the economic functions of the middleman, it may be safely asserted that his greatest strength has been in the knowledge he has of his territory and his trade, and the free admission on the part of his principal, the manufacturer, that the jobber or broker did know his territory and that he, the manufacturer, did not. It may be equally asserted that the diminished strength of the middleman, resulting in the partial disintegration of the broker and jobber as a factor in the commercial system, has been due to the acquirement of more intimate knowledge of territories and their needs on the part of the principals, or manufacturers, and the resultant development of closer contacts.

Take your choice as to which is cause and which is effect. Closer study and more intimate knowledge of markets result inevitably in more direct selling

methods. More direct selling methods lead to a weakening of the influence of the jobber or wholesaler, or his elimination altogether. The elimination of the wholesaler or middleman leads in turn to the need, in a pronounced degree, of closer study and more intimate knowledge, on the part of the manufacturer, of the markets which were previously left largely, if not entirely, to the middleman's development and cultivation.

2. *The growth of "hand-to-mouth" buying.*—Particularly since the war, there has been an important transition in commercial practice that is frequently referred to as "hand-to-mouth" buying. The primary manifestation of this tendency is in reduced inventories on the part of the tradesmen, increased capital turnover, and smaller and more frequent orders. The growth of this practice has been greatly stimulated by the development of the chain store, which has sounded a challenge to the independent retailer and wholesaler to speed up their business and to operate with maximum efficiency.

This practice has spread into almost every industry. It has gained momentum because of the obvious advantages which the individual tradesman enjoys immediately upon adopting it, and because, also, of the inability of the average manufacturer to enforce any regulations that he might desire to put into effect with regard to the amount of stock that his retail and wholesale distributors should carry.

Before the advent of the hand-to-mouth buying

era, the jobber was already slipping, due to his willingness to pass more and more of the selling job back to the manufacturer to perform through "missionary salesmen," with a consequent decline of his importance as a selling factor. The manufacturer still retained him, when he was retained, for his important warehousing and banking functions.

So long as there is not a perfectly direct flow of merchandise from its source to its destination, there must be reservoirs of excess stock somewhere. Somebody has to carry stock. The manufacturer had largely depended upon the jobber. The jobber was content with this so long as he had the opportunity to depend, in turn, upon the retailer. When the retailers figuratively went on a strike, refusing to carry stock, the jobbers were confronted with their great opportunity, which, as a class, they failed utterly to seize upon.

As the retailer trimmed his stock, cut down the amount of his orders, and increased their frequency, the jobber did likewise, virtually repudiating one of the remaining functions that the manufacturer was relying upon him to perform. This meant that the manufacturer had to shoulder the burden that both the retailer and the jobber had refused to carry. Economic pressure made it necessary for him to adjust his production schedules as much as possible and, in turn, reduce his own inventories to as low a point as he could and still render efficient service. As far as the demands of his industry permitted, he

restricted production and speeded up delivery. The system encouraged the manufacturer's establishment of local depots and warehouses and other economies in distribution, with the result that the jobber frequently was either wholly or partially displaced.

3. *The wholesaling function unchanged.*—In all of this rapid transition, there has been no elimination of *function.* The things that had to be done, in the past, in moving merchandise from the place where it is made to the place where it is used or consumed, still have to be done, and probably always will be. The necessity has been one of doing them differently, more quickly, or more effectively. Merchandise has to move over the same ground from producer to consumer, but economic pressure has made it necessary for the manufacturer to shorten his highway of commerce, wherever possible, cutting out the curves and grades as a modern roadbuilder does when an old roadway is replaced.

The jobber who has been displaced, in this transition, is the one who has not kept pace with changing conditions, who has failed to find the shortcuts in his own business to modernize his functioning as a distributor of merchandise and to improve the efficiency of his service to the manufacturer to the point where the latter could not perform the task more economically without him. Wholesalers, as a class, have learned a salutary lesson from this experience, and those who have survived are fitting their functions to the new order of things.

The wholesaler of today is on a plane entirely different from that which he occupied only a few years ago. He is more of a merchant, he has closer relations with the manufacturer whose goods he distributes, and he is a more important part of that manufacturer's scheme of operation than was the old-time jobber.

As a necessity inherent in this new order of things, the modern jobber has had to acquire a more intimate knowledge of retail territories and requirements, or, in other words, to brush up on his marketing geography. The same necessity is even more strikingly manifested in the case of the manufacturer who has eliminated the middleman from his sales picture, and who has undertaken the direct and continuous cultivation of the retail trade, for which a thorough understanding of marketing geography is indispensable.

4. *Effect on the retailer.*—Now let us see how the new changes affect the retail merchant, for he, too, has his problems in marketing geography. It is no less true that the consumer is buying on a hand-to-mouth basis. Styles change more rapidly, not so much because of a change in the temperament of the public as that, in this hand-to-mouth buying era, styles *permeate* the market more quickly. Thanks to what Robert R. Updegraff has termed "the new American tempo," any new style, whether it be in an article of apparel or in the type of container for a dentifrice, gets to the consumer from the point of its origination much more quickly than it did a few

years ago. As a result, the stocks of merchandise in the windows and on the floors and shelves of the retail stores change their complexion more frequently.

With each change, actual or contemplated, comes the problem of anticipating the reaction of the merchant's public—the hazards in the loss of some trade and the opportunities for the gaining of new trade. The merchant who knows his local marketing geography and from what classes, sections, or districts of his market area he is drawing trade, or can be expected to draw trade for each of his many departments of merchandise, has a pronounced advantage over his competitors who lack that knowledge.

5. *Increase in style influences.*—Few people realize the tremendous changes that have taken place in merchandising as the result of the rapid and revolutionary developments of science and invention within the past few years. These changes have had a particularly revolutionary effect upon the whole process of communication. New ideas are flashed instantly all over the world, even to the remotest countryside, and new merchandise travels almost as rapidly. The airplane, with its new express traffic, and the transatlantic telephone play important parts. There is a swift permeation of style influence that was utterly impossible a few years ago, thanks, in part, to the use of color in the motion pictures.

Today, the salesman who handles a line of goods that has a high style element, and is, therefore, perishable from a merchandise standpoint, hops into a

plane with his new samples and is in a distant market days or even weeks ahead of his schedule as it would have been only a few years ago. Competition is so keen in many lines that the man who gets there first with his samples gets the order. A manufacturer of shoes in France flashes the pictures of his new style creations to the American market by radio and guarantees delivery of the new style to his American customers in about two weeks.

Nowhere is the result of this stupendous development in rapid communication and transportation more in evidence than in the business of the retail merchant. The merchant who is not keyed up to the modern rapidity in style changes, and to the growth in style consciousness on the part of the consuming public, is on his way out. While this is particularly true of those concerns, like the department stores, who do a large share of their business in articles of apparel, art goods, and other items that are vitally affected by the style changes, it is true only in a lesser degree of almost every type of merchandise.

There was a time when reference to a manufactured commodity as "staple" was a mark of respect; now it is almost a cause for suspecting that its maker has failed to modernize it, and is riding on his reputation. Today, almost the only staple articles of commerce are raw products and even these are frequently subject to style influence as to the form in which they are prepared and the cartons or containers in which they are packed.

6. *The competition for volume.*—One of the characteristics of the times is the somewhat frenzied competition among manufacturers, jobbers, and merchants for increased sales volume. This has been aptly referred to by Harland J. Wright, in a series of editorials directed to the dry goods trade, as "Volumania."

Size or volume is not everything, as many manufacturers have found out to their sorrow. Mere bulk, without stability and intelligence, will not get very far. The animal kingdom furnishes an apt illustration. In prehistoric times we had the dinosaur. It was very big, but its bigness was all below the neck. It lacked intelligence and therefore did not survive. The biggest creature of modern times is the whale, which is being exterminated by a much smaller creature, the whaler. Whales live hundreds of years. If they did more swimming and less spouting they would live hundreds of years longer.

Progress in marketing is characterized by one or both of two effects: increased sales volume, or decreased sales cost. Ideal progress is, of course, marked by both results, increase in volume of sales and concurrent decrease in cost. However much or little it may be justified, there is no gainsaying the fact that increased volume is often, if not usually, the first consideration, and that it is frequently bought at a price which results in diminished profits.

Increased volume can only be acquired in one or more of three directions:

(a) By acquiring more users, or customers
(b) By developing a greater number of uses, or, in the case of a retail store, patronage for more kinds of merchandise
(c) By encouraging a greater volume of use

All three of these avenues are open to most merchandisers, but in the case of some specific products only one or two of them may be present, and, in rare cases, none at all. The manufacturers of machinists' vises found, through an investigation, that they had practically no opportunity to increase either the number of users, the number of uses, or the amount of use. Practically everyone who had any possible use for a machinist's vise possessed one, and no new use could be discovered for which they were not already commonly employed.

On the other hand, a manufacturer of ointments was found to have the opportunity, through his advertising, of either increasing the number of users, increasing the amount of use through advertising those purposes most effective in using up the product, or educating his users to a greater variety of uses.

Regardless of the method by which increased volume can best be acquired, the question must be answered as to *where* this business can be obtained. What territory (whether a section of the country, a group of counties, or a zone in a single city) can best be relied upon to produce more users of the product or more customers? What classes of cus-

tomers can be educated to a greater volume of use, and where are they? What classes can be cultivated for special uses, and where can they be found? To answer these questions with any degree of assurance, the marketing manager must know his marketing geography.

7. *The requirements of market research.*—Research has broken the boundaries which previously confined it to the production division of business and has been adopted, in recent years, as an essential tool of marketing. It is through research of various kinds that such questions as the foregoing are answered. In its simplest phases, research contents itself with the measurement of markets with respect to their potentialities, or possibilities, and this measurement can be largely effected through recourse to recorded data that are readily available. Such data, if not themselves geographical, are usually assembled under some geographical classification, and are useful mainly because of their being thus classified, thereby making it possible to employ them to characterize definite sales territories.

Sales are recorded by territories much more frequently than they are by classes of customers, and sales cultivation proceeds along territorial lines much more frequently than along lines of customer classification. Advertising, moreover, one of the most potent tools of marketing, has definite limitations in its flexibility with respect to classes of customers, but is quite flexible in its application to territorial re-

quirements. Hence, one of the first functions of market research is the intelligent study of the geographic data on the specific product and its markets, or, more strictly, the economic data in relation to its geographic significance.

As market research passes from its simpler phases of market measurement and appraisal into the more intricate functions of determining the conditions under which the specific product and its competing products are bought, sold, and used, and the reasons for the existence of the conditions that are found to obtain, an intelligent knowledge of the marketing geography applying to the product or service under examination becomes a definite prerequisite.

To make an intelligent market survey, the research man must have, in advance, a fair understanding of the territorial considerations applying to the product, its sale, and its use, so far as they can be determined in advance of the survey itself. He must know the significance to the product which he is studying of the various trading centers throughout the country. He must plan his study with as much knowledge as can be obtained, in advance, of the geographic and economic influences which affect the purchase and the use of the product.

He must know, for example, if such be the case, that Fort Dodge, Iowa, with its 22,000 population, is a much more important point of distribution for his class of product, than is Fall River, Massachusetts, with its 130,000 population, but without the

rich farming country of a number of Iowa counties to draw upon for its trade. He must know that the people of New England are, as a rule, much less responsive to the appeals of new merchandise or new merchandising ideas than are those of Ohio or Texas. He must know what the territorial lines are and the reasons for their establishment.

8. *Mergers and their requirements.*—The increasing number of mergers in all divisions of business, particularly on the part of those operating nationally, has brought about a need for more intensive study of markets and their characteristics, both in advance of the merger and after it has been effected.

Usually, one of the chief advantages contemplated by a merger is the extension of markets and of marketing facilities, as well as the economy of combining, at least to some degree, the marketing organizations and their managements. When the interests of two or more companies are thus combined, a new marketing map must be constructed. This calls for a new analysis of the sales territory and the realignment of territorial activities.

9. *Increased cost of selling.*—Thirty years ago, when a salesman visited Fond du Lac, Wisconsin, if his account was liberal enough, he might put up at the Windsor House, the second best hotel in town, opposite the Court House Square, and his room, if he stayed overnight, would cost him 75 cents or $1.00 and his dinner 50 cents. Even this was rather a lavish figure, as he could get a full meal, well cooked

and decently served, in either of the two leading restaurants for 25 cents, and no tip expected.

He walked, or he rode on the street cars, or, if he had to work the country trade of Fond du Lac County, he hired a horse and buggy from Meiklejohn's Livery Stable for $1.50 a day. His salary was not more than $15 a week, and a week's salary bought a good suit of clothes. If his expense account ran over $20 a week, he probably had something to explain to his sales manager.

Today, that same salesman's son, covering that same territory, is ashamed of his salary of $40 a week and feels extremely virtuous whenever he limits himself to a dollar table d'hôte dinner. He drives a company car, or rents a "U Drive It" car to cover his trade. Perhaps he books larger orders, but whether he does or not, one thing is certain and that is, he turns in much larger expense accounts.

Prices and margins on merchandise have advanced, of course, somewhat parallel to the advance in the cost of living and in the cost of doing business, including the cost of selling the goods. Nevertheless, as every marketer of merchandise well realizes, if profits are to be made in the face of the constant advance in cost of selling, salesmen must work harder and faster and with greater intelligence. That objective is not met wholly by hiring more capable men and giving them more effective training. It requires, also, closer supervision by the sales manager and a better knowledge of what the salesman is doing.

10. *Need of closer sales supervision.*—Probably the only salemen, as a class, who are supervised and directed as closely as they should be, from the standpoint of routing, or the way in which they work their territory, are house-to-house solicitors, working under the direction of competent and conscientious crew managers. These crew managers have to know their territories and, because they are working concentratedly, they have to route their men carefully in order to avoid conflicts.

In spite of all the education of the past generation in more efficient sales methods, it is safe to say that the majority of traveling salesmen are turned loose in their territory and virtually permitted to route themselves in their calls upon customers and prospects. Many companies defend this practice, but the defense in itself is an admission of weakness, being in effect that the salesman knows his territory and its requirements better than the home office can possibly know them. There may be exceptions, but, as a general rule, it can be asserted that adherence to this policy or practice is costing those companies which employ it, and perhaps the salesmen as well, many thousands of dollars.

The thing that is lacking, obviously, is knowledge on the part of the management of the marketing geography of the salesmen's territories, and in many cases the disposition to acquire that knowledge. This need is still further emphasized by the fact that for some years past we have been in a buyer's market

and probably will be for some years to come. The problem is no longer that of producing the merchandise, but rather of getting it consumed. This makes imperative a more intensive analysis of markets.

11. *The physical size of the market.*—The Texas salesman of a Chicago manufacturer was in El Paso, when he received a wire from his chief: "Please proceed to Texarkana to adjust claim of Blank Company. Details forwarded you general delivery." The Chicago sales manager got a distinct surprise in the answer: "Why don't you send a Chicago man; you are sixty-five miles nearer Texarkana than I am." The sales manager, upon consulting the map, obtained a much needed lesson in geography and followed the salesman's suggestion.

How many sales managers are there who realize that the distance across the state of Texas, east to west, is greater than the distance from Chicago to the nearest point of the state of Texas, or, to bring the illustration nearer home to most of us, greater than the distance from Chicago to New York? How many are there who realize that the state of Texas is equal in its area to the New England and Middle Atlantic states combined, with Virginia and West Virginia thrown in for good measure?

This incident seems to illustrate one of the primary requirements of the student of marketing in getting an adequate grasp of marketing geography. That requirement is a correct point of view, particularly with regard to the size of his market.

A shrewd American business man, not long ago, gave voice to the warning against "selling America short." He referred to the danger of underestimating the capacity of the United States, whether measured by extent of territory, amount of natural resources, business activity, or population figures.

It is seldom that the man in charge of the selling operations has a true perspective of the size of the market he is endeavoring to serve. The marketing man does not often exaggerate the potentialities of his market. He may overestimate the appeal of his merchandise, or the effectiveness of his advertising or his sales work, but he will underestimate, as a rule, the capacity of his market to absorb his merchandise.

The average ambitious salesman clamors for more territory, when, if his territory were cut in half, he would still have more than he could handle effectively and profitably. Some years ago, an office appliance salesman was transferred by his company to its Minneapolis office. He knew nothing about the territory. He sat looking out of his office window, considering where and how he should start to work. Across the street from him was a tall building.

"Well," he said to himself, "I suppose that building, being right under the nose of this office, has been worked to death, but I might as well start in there as anywhere." He was a thorough and systematic worker, also a good salesman. He started at the top floor and worked his way down. It took him sixty days to get to the ground floor, when he

had sold more machines in that one building than his predecessor had sold in the entire city in the previous six months. There was probably room in Minneapolis for a dozen such salesmen, if the sales manager had been lucky enough to find a dozen like him. And his predecessor had given as his alibi for poor results that the city had been worked to death!

12. *An appreciation of maps.*—Maps are wonderful things and this study of marketing geography should stimulate more use of them, as well as a more intelligent use. However, while maps serve to visualize the territory under consideration and its relationship with other territories, they sometimes also serve to constrict rather than expand the imagination.

Place the tip of your finger on the largest map of the United States that you can get on your office wall, and you will probably find that you have covered up several cities or villages, and perhaps a county or two, representing the business and social activity of thousands of people. Under that tip of your finger are many homes, with busy housewives contemplating their needs and family purchases. There are stores, mills, factories, streets, automobiles, and traffic jams. There are hundreds of people to whom that area under your finger tip is all of the world they have ever known. A trip to the point where your thumb touches the map would be an event of a lifetime. Stop and consider that that dot of the size of a fly speck is a seething city, and that in many sections the map is almost black with them.

There are various varieties of maps and it is unfortunate that the marketing executive seldom becomes familiar with any other variety than the so-called commercial map, if, indeed, he knows that as well as he should. The term "commercial map" is something of a misnomer. It is primarily a map of places, showing geographical divisions of states, counties, and sometimes townships, the location of cities or post offices, and sometimes rivers, railroads, and mountain ranges.

Important as all of these elements are to commerce, the physical aspects of the land are equally important if, indeed, not even more fundamental, in that they have often been the determining factors in locating the boundaries and in building up the cities. A contour map, for example, showing the elevations, will often give the marketing man an entirely new conception of a territory. Maps that visualize rainfall and vegetation are likewise useful.

REVIEW

Show how the growth of "hand-to-mouth" buying and direct selling has made a knowledge of marketing geography more necessary than ever both to jobbers and manufacturers.

Explain how the rapidity of style changes adds to the retailer's problem of anticipating market demand.

State the three methods that are generally available for increasing sales volume.

Indicate how market research is promoted by: (a) the growth of mergers; (b) the increased cost of selling.

What is meant by saying that sales managers and salesmen rarely have a true perspective of the size of their markets?

CHAPTER III

MARKETING ERRORS DUE TO LACK OF MARKET FACTS

1. *Taking in too much territory.*—There are several grave errors into which sales managers fall through having a distorted perspective as to the size of their markets. One such error results from the temptation to take in too much territory, particularly in the introduction of a new product. Many instances can be cited of good products, put out by well-managed and well-financed companies, supported by a sufficient amount of advertising of seemingly high quality, which have nevertheless been dismal failures and whose names are now all but forgotten.

A breakfast food manufacturer, marketing a product sold by practically every grocery store in the United States, developed a second product a number of years ago. The product itself was a meritorious food. The company, taking advantage of its strongly intrenched position in the trade and having unlimited manufacturing facilities, put the new food into national distribution almost overnight. It was a complete failure and within a few months was entirely off the market and forgotten. The failure was at-

tributable to only one thing, namely, the company had taken in too much territory in its introduction of the product and was unable to give it the sales support necessary for its successful establishment. The company had money enough, but it did not have men enough to undertake so huge a task in so short a time.

Almost immediately thereafter, another product was developed which was so similar to the one that failed as to have few, if any, advantages other than the way in which it was marketed. In this case, the management avoided the error of taking in too much territory. The food was introduced in a relatively small section and its distribution gradually expanded from one territory to another, until national distribution had been acquired. While this is not one of that particular company's best sellers today, it is a successful product, well distributed.

2. *The dreaded "saturation point."*—Another common error results from the apprehension that many sales managers have with respect to the "market saturation point." The saturation point, theoretically, is the point at which every possible customer is supplied, leaving no remaining market to be sold. Obviously, as long as babies are born and young people are in the habit of getting married, creating new mouths to feed and new homes to furnish, and in turn new businesses to supply them, there is a constant development of *new* markets and, therefore, no possibility of absolute saturation.

The fear of the approach of the saturation point springs from the tendency to "sell America short" or to underestimate the physical size, as well as the growth, of the United States. For the past fifteen years the automobile manufacturers, for example, have been only a year or two away from the saturation point, according to the observations and convictions of many people in the automobile industry as well as of those on the sidelines. Still, the number of registrations has continued to multiply, except for occasional recessions, and the saturation point has not yet been reached. Prices have decreased and incomes have increased, creating new strata of automobile buyers. Roads have been improved, creating the opportunity for more use of automobiles to wear them out just that much faster. Businesses adopted automobiles for their salesmen in increasing numbers, thus providing new uses. Families that had been content with one car provided themselves with two, and, in addition to all this, school boys were constantly growing up into young men, getting jobs, marrying, and buying their first automobiles. The saturation point is usually a mirage, receding as rapidly as the producer advances.

3. *Keeping in close contact with one's market.*— The manufacturer who is worrying about his saturation point has only to consider this one fact: If he did not have a dollar's worth of business, but could sell his product to each new possible customer

who comes into the market as each day dawns, he would probably have a business that would be the envy of all of his competitors. Every year there are two million babies born in the United States, or an average of six thousand per day. Every year there are a million boys who buy, or have bought for them, their first long trousers. If a clothing manufacturer could make only this one sale, he would have a very comfortable business.

Robert W. Woodruff, who holds the unique distinction of being at the head of two great companies in totally different fields of activity, in his capacity as president of the Coca Cola Company and also of the White Motor Company, has made the interesting observation that the idea of a saturation point is more likely to exist in the mind of the manufacturer than in that of the retailer. Probably this is because the manufacturer has to draw upon his imagination to a much greater extent in arriving at a conception of his market, while the retailer is in daily contact with his market and actually sees it growing up around him.

When a manufacturer gets into close contact with any of his local markets, he will almost invariably get an entirely different conception of the potentialities they offer—potentialities which are, therefore, inherent in his national market. A coffee manufacturer doing a national business went to Detroit to make an intimate examination of 200 of his outlets. He found, among a great many other things, that 20

per cent of these outlets were furnishing 80 per cent of his business. The discrepancy was by no means to be accounted for by differences in the size or opportunities of those outlets that were, and those that were not, producing. It was therefore easy to estimate the opportunities for future development with which this company was confronted.

4. *Unwise choice of introductory territory.*—Businesses frequently get off to a wrong start in their marketing operations, sometimes to the extent of completely ruining their future prospects, through an unwise selection of the introductory or test territories, due to a failure to secure or to apply intelligently the geographic facts pertaining to the consumption or use of their product. A new product, particularly a new type, should be given the same care, in its first launching upon the market, that a skilled gardener gives to the propagation of a new variety of plant, or that the manufacturer gives to the making of the product.

The gardener will carefully select or, if necessary, construct the soil in which the seed is first germinated, and will painstakingly regulate the temperature and the amount of moisture. All this before he attempts to produce the variety on any large scale. The manufacturer will nurse the product through a number of stages of experimental production before he makes any attempt to produce it in quantities. If it is a machine, he will subject it to break-down tests before it is sold to actual customers.

In the same way, the sales manager for a new product should precede any attempt to market it, on a broad scale, with well-regulated and intelligently analyzed experimental sales work in a territory or territories hand-picked for the purpose. There are, of course, many instances in which the nature of the product or the importance of the time element render this impossible, in which case the manufacturer can only accept and recognize the greater hazard attaching to his marketing. He should not, however, incur an unnecessary hazard through sheer impatience to get the product on the market or because of eagerness to beat competition.

Even when the manufacturer is cautious enough to decide upon experimental sales work in advance of any general distribution, to determine the marketability of the product and to define his sales methods and sales policies, he more often than not selects the territories for such experimental work on blind judgment or with only superficial consideration of their characteristics. There is probably no point at which the study of marketing geography is more essential than in connection with the selection of introductory territories.

5. *Determination of territorial lines.*—The determination of sales territories is often made with consideration of little more of the geographic data applying to the product than the population or the number of trade outlets. Indeed, it is not an uncommon practice for sales managers to split up ter-

ritories for their salesmen strictly on the basis of present patronage, without considering their sales potentialities. Neither do they take into consideration that, if progress is to be made, more work should be done in those districts where there are the fewest present customers in relation to possibilities.

Territorial lines, once established, are changed only reluctantly. The habit of following established lines, the difficulty of reconstructing the sales records as a basis for making comparisons, the lethargy of the management, and resistance on the part of the salesman are all factors making it difficult to alter territories. It is safe to say that a great majority of businesses employing salesmen could either add materially to their sales results, or materially reduce their selling costs, by making a scientific study of their territories and revising the boundaries. It is certainly safe to assert that any manufacturer whose sales territorial map has not been materially changed in the past five years needs to give earnest and immediate consideration to this requirement.

A common failing in marketing management is a too implicit reliance upon maps and census figures, or a too literal application of them. Until very recently, when a number of institutions, including the U. S. Department of Commerce, began to publish analyses of trading areas, most national sales territories followed state boundaries altogether. State boundaries are imaginary lines, which as a rule have only a political significance. They are logical

commercial boundaries only when there are no better boundaries, or when the laws or regulations of one state are more friendly than those of the adjoining state.

One excuse for the custom of employing state boundaries as territorial lines seems to be that they are already on the map, which saves drawing new ones. A more cogent reason is that territorial statistics have been available by states. Since most statistics, particularly the census figures, are equally available by counties, the modern practice—one which is being rapidly adopted by the more progressive and aggressive concerns—is to work out trading areas along county lines and to combine these, in turn, into sales territories.

6. *Misconceptions of metropolitan areas.*—Perhaps one of the most common errors in marketing, particularly in smaller organizations whose research facilities are limited, is made in the appraisal of the large cities or metropolitan markets. Take, for example, the neighboring cities of Cleveland, Ohio, and Pittsburgh, Pennsylvania. The census figures (1930) for these two cities are 901,402 and 669,631, respectively. On this basis, a sales manager will immediately conclude, not only that Cleveland is the larger of the two cities, but that it is half again as large as Pittsburgh. As a matter of fact, of course, either of the two cities may be a much greater actual or potential market for his particular product than the other, owing to differences in standards of liv-

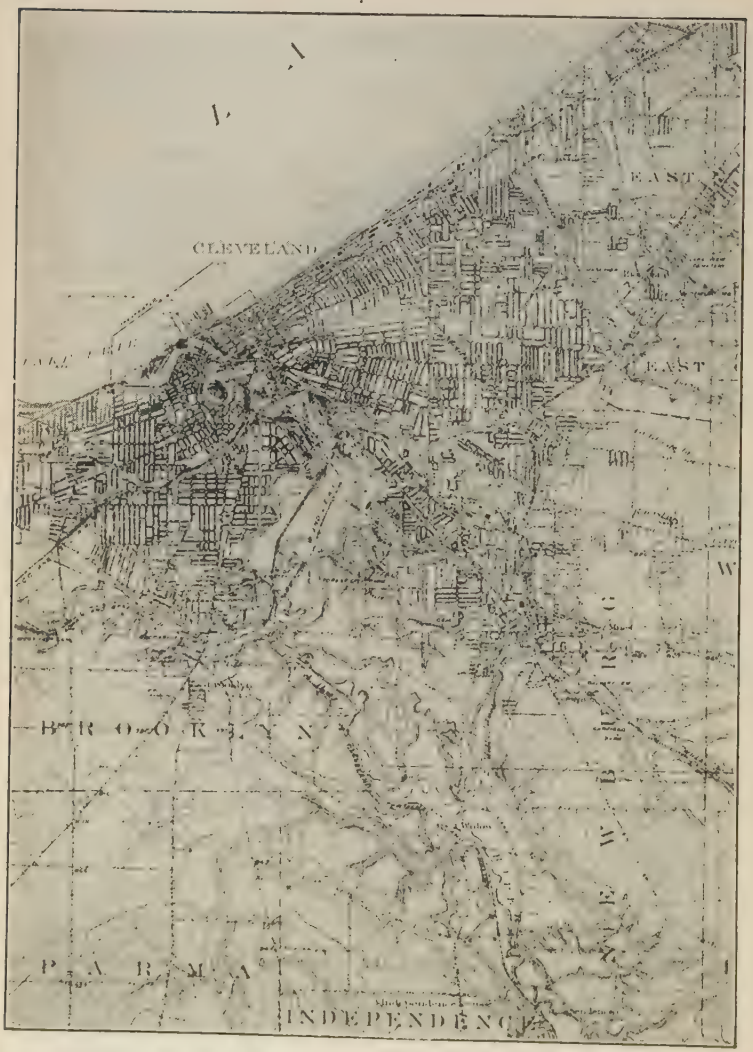


FIGURE 1—CLEVELAND, BECAUSE OF ITS GEOGRAPHIC SITUATION, IS A CITY OF CONCENTRATION

FIGURE 2—GEOGRAPHY HAS MADE PITTSBURG A CITY OF DISPERSION

ing, industrial activities, occupations, or other characteristics affecting the requirements for use of that product.

Despite the proximity of Cleveland and Pittsburgh, and a considerable similarity in their industries, there could scarcely be a greater contrast between two cities. These differences are largely due to geographical factors. Cleveland spreads out on two sides of an unimportant river along the shores of Lake Erie. It is built on three levels: the bottom lands adjacent to the river, a second stage occupied by most of the business district and some of the older residential areas, and the surrounding "Heights," which constitute a third elevation, particularly toward the east. Except for the ascent from one to another of these levels, the ground is flat.

Pittsburgh is situated at the conjunction of the Monongahela and the Allegheny Rivers with the Ohio. The business section is within the "golden triangle" formed by the two tributaries. The residential sections stretch out for miles along the banks of each of these three rivers. The land is exceedingly hilly. Street cars are carried from one level to another on elevators, and the automobile highways connecting the suburbs with the city run along precipitous cliffs or burrow through the hills in tunnels.

The contour of the land in the Pittsburgh district has made Pittsburgh a commuting city. Cleveland has practically no commuting. The suburbs, where the people live who work in Cleveland, are so closely

attached to the city proper that they are separated only by imaginary lines. Lakewood, East Cleveland, Cleveland Heights, and Shaker Heights have a separate identity only in name and local government. Pittsburgh, on the other hand, feeds and clothes the majority of the inhabitants of a large number of surrounding small towns and villages. Pittsburgh has more department stores than Cleveland and greater bank clearings.

In considering these two cities as markets for almost any type of product, it is obvious that to make any comparison on the basis of population figures would be utterly unsound. On the other hand, it would be almost equally unsound to compare these two cities on the basis of any arbitrarily determined trading radius, such as, for example, the population within a thirty-mile radius of the center of the city. Cleveland, because of its geographic situation, is a city of concentration. Pittsburgh, for the same reason, is a city of dispersion.

7. *Market spottiness.*—Few manufacturers, wholesalers, or retail merchants achieve an even spread of distribution and consumption for their merchandise throughout the various territories or districts which they attempt to serve. Fewer still find anything like equal acceptance of their products from various classes of consumers or trade. Pronounced variations in distribution are commonly referred to, particularly with respect to a product that is sold nationally, as "spottiness."

A manufacturer might have strong sales in the Central and the Middle Atlantic states, a somewhat weaker movement of his goods in the New England states, and very slow sales in the South. That would not be referred to as a "spotty" market, and in all probability the manufacturer would have a fairly clear understanding of the reasons for such a condition, such as climatic influence, the adaptability of his product to use in these various sections, the length of time the several sections have been under cultivation, the type of sales structure that he employs, or the amount of sales and advertising activity in these several regions. But when, in a single district such as the Central or the Southern states, a company is enjoying a brisk business in one or two or a group of towns, and getting little or none from another town or group of towns almost adjacent, and this condition prevails more or less throughout the territory, we have a decidedly "spotty" market.

Such "spottiness" may apply to distribution, to consumption, or to both. If distribution is weak, consumption is likely to be equally weak, because of the fact that consumers, unless they have a strong preference for a product, will not shop around from one store to another in order to get it. On the other hand, a manufacturer may have practically perfect distribution throughout an entire territory and yet have wide variations in the relative consumption at different points.

8. *Analyzing markets for causes of uneven distribution.*—Whenever a manufacturer has a "spotty" market, it is a challenge to him to study his marketing geography. First of all, he must discover whether such spottiness is due to causes within or beyond his control. If he is selling more of his goods, in relation to apparent sales potentialities, in Rochester than he is in Syracuse, what is the reason? Is it because of a difference in the people or in the businesses of these two towns, or because of a difference in what he has done or failed to do? Are his competitors in Syracuse getting more business away from him than those in Rochester, or are they experiencing a similar difference in their sales?

If he is to deal with this problem intelligently, he must start out with the one fact he knows, namely, that there *is* a pronounced difference in the sales of these two markets. His records should tell him whether that difference has obtained all along, or whether the disparity in sales is increasing or diminishing. His records may give him further breakdowns by classes of customers, enabling him to compare the sales in these cities to the same kinds of people, dealers or users. Then he needs to find out, if he can, in definite and dependable terms—not merely relying on salesmen's reports—whether the declining sales are due to inroads of competition or to a decline in actual consumption, or, on the other hand, whether increasing sales are due to more successful competition on his part, or a relatively greater

consumption on the part of his users. These facts may be easy or difficult to obtain, depending somewhat on whether he is selling a product over the counter to consumers, or an industrial product to manufacturing plants, and on whether information with regard to total sales or total consumption is available from general sources, or has to be obtained from the users themselves.

If, after this study, he finds that there is actually greater consumption or use of his type of product by the people or businesses of Rochester than by those of Syracuse, his next step, logically, is to learn why the people or businesses of Rochester have this greater preference or requirement.

Such a study must not be superficial and the student must not jump at conclusions. Two important facts must always be borne in mind. The first is that for every effect there must be a cause, and, until that cause is established, the merchandiser cannot proceed economically and with any degree of assurance to correct or improve the condition. The second point is that so many variables affect any marketing result that it is rare, indeed, to have but a single cause for a satisfactory or unsatisfactory condition.

9. *Wastefulness of "trial-and-error" methods in marketing.*—It is scarcely possible to exaggerate the importance of these two principles. Failure to recognize them is responsible for the wasting of many millions of dollars annually in sales and advertising

campaigns. The common procedure is to use the so-called "trial-and-error" method—trying one sales approach or advertising appeal after another until the right one is found.

Each tryout takes time and costs money. If a succession of such experiments fails to arrive at a successful formula, or a combination that produces a sufficient volume of sales at a profit, the company either goes into bankruptcy or abandons the product. Even if the happy combination is discovered, there frequently is still a lack of understanding or analysis of just why the combination works. The effect has been discovered, but the management is still in the dark as to the cause.

Let us cite an illustration. The manufacturer of a cough remedy was concerned as to the reason for his unsatisfactory volume of sales in New England territory. An investigation developed a number of reasons, all more or less subject to correction, two of which were outstanding. One was that the product had become classified in New England as a "tonic," and was carried on dealers' shelves with the tonics, rather than with the cough remedies. The second was that the manufacturer had only one size of bottle and it was larger than that preferred by the New England trade. The discovery of either of these facts alone would not have been a sufficient answer to the question as to what this manufacturer needed to do to improve his New England sales.

10. *Appraising sales performance.*—The marketing manager has, as one of his responsibilities, that of passing final judgment upon his district managers or salesmen in the field. If he exercises this responsibility with equal fairness to company and to employee, he must give intelligent consideration to a long list of factors, including the sales figures, volume, cost, and profit; the kind of work that has been done; the favorable and unfavorable conditions that have obtained; the attributes of the man; and, finally, but not of least importance, the characteristics and requirements of the territory. Few sales managers take all of these points into consideration in determining the salesman's fate, and particular weakness is shown in the appraisal of the territorial characteristics and requirements. When the sales manager does not know the needs of territory as well as does the salesman whose work he is judging, it is only an accident if the judgment which he exercises is at once fair to the company and fair to the man.

11. *Application to all types of business.*—Almost every principle that is set down in this study of marketing geography has an equal application to every type of business in which there is a definite merchandising requirement. While our illustrations are frequently drawn from the experience of businesses serving the national market, the points to be illustrated are just as applicable to the local business.

Indeed, the need of market study is frequently greater on the part of the local merchant, the whole-

saler, or the manufacturing or service company whose operations are confined to a single locality, than it is on the part of the manufacturers who are selling to the entire country.

The shoe manufacturer, who has the entire nation to draw upon for his business, can accept more philosophically the fact that there is a large part of the country, or a number of territories, from which he derives little patronage, than the shoe retailer can adjust himself to the fact that he is losing the business of an important part of his restricted community. On the other hand, the manufacturer has a natural incentive to study the characteristics of those territories of which he has no intimate knowledge, while the retail merchant often lulls himself into a belief that he has a much more intimate and correct knowledge of his own city than he actually possesses.

To the local storekeeper in a comparatively small town the task of getting the business from the people who live on the other side of the railroad track is just as much a problem in marketing geography, comparatively speaking, as is the effort of an automobile manufacturer to acquire a greater volume of sales from the Southwestern states. Both manufacturers and retailers know a great deal more about their customers than they know about their prospects. Knowledge of marketing geography, and the intelligent application of that knowledge, is of equal importance to the manufacturer who is selling consumer merchandise to the stores, to the manufacturer

who is selling industrial equipment to factories and offices, to the wholesaler who is supplying the retail trade, and to the retail merchant who is selling goods across the counter.

REVIEW

Illustrate the error of taking in too much territory in marketing.

Consider the author's argument that the "saturation point" in marketing is a false notion. Do you agree or disagree?

Show how it is possible to apply census figures of population too literally in market planning.

Distinguish between genuine and superficial "spottiness" of distribution.

Explain the wastefulness of "trial-and-error" methods in marketing.

Point out the possible service of market research to the retailer.

CHAPTER IV

HOW PHYSICAL GEOGRAPHY AFFECTS MARKETS

1. *Geographic factors in marketing.*—All marketing activities are, of necessity, governed by the various divisions of the land and the established natural and political boundaries. They are directed to the people who occupy the land. They are qualified by the industries which the people sustain and from which, in turn, they derive their livelihood and capacity to buy. They are carried on by means of a commercial structure which provides both the means of cultivating markets and of actually supplying them with the product, and which is, in itself, one of the most important divisions of industry.

It is owing to these relationships that, in developing the geographic factors that affect marketing and in considering their nature and significance, we must include among them many items which, strictly speaking, would not classify as geographic facts, but which, as characteristics of territories or communities important to the marketing man, are elements of marketing geography.

2. *Characteristics of the land.*—The principal characteristics of the land are its topography, its climate, its soil, water resources, native vegetation,

and minerals. All of these have an effective bearing upon the character of the territory as a market for almost any commodity. They are basic in determining the degree to which the territory is habitable.

The relation of the topography of the land to its value or capacity as a market is most obvious. Mountainous and desert regions attract few inhabitants and impede the development of transportation and communication systems upon which commerce is so dependent. Mineral resources may make such regions centers of specialized activities and, therefore, important markets for businesses which supply these activities, such as those dealing in mining equipment.

The flat prairie lands of the Middle West have not only lent themselves to a great agricultural development, but, because their topography has encouraged the development of large farms, they have given impetus to the perfection of farming machinery, such as gang plows, harvesters, and tractors. Today, the topography of this vast section is an important factor in the commercial development of the newest phase of transportation, the air traffic. In these regions, the development of airways proceeds under the most favorable conditions and, in recognition of this fact, important centers of this new industry are being built up in the Middle West, particularly in Kansas, Oklahoma, and Texas.

The topography of the country has a great deal to do with the determination of sales territories.

Michigan and Wisconsin are adjacent states, but are seldom included in the same sales territory because lower Michigan is a peninsula, separated by a great lake from Wisconsin. On the other hand, upper Michigan is more likely to be covered by a salesman traveling out of Wisconsin than by a salesman from lower Michigan.

3. *Climatic factors.*—There is scarcely an article of merchandise that is not affected, directly or indirectly, by the climate. The people of the South

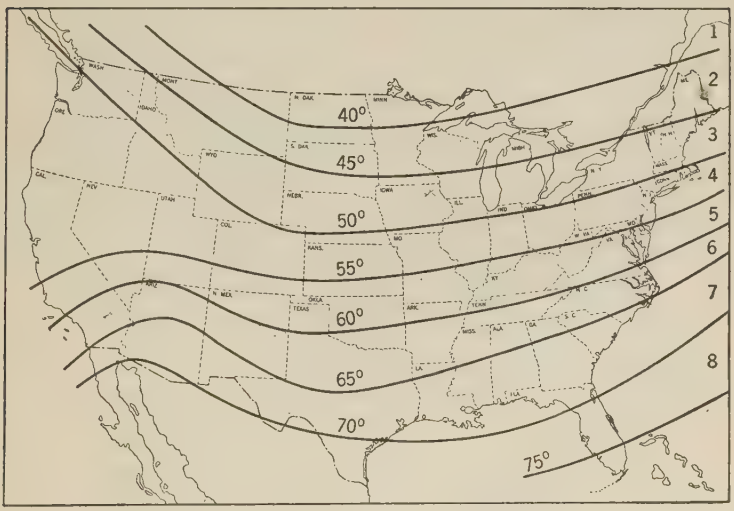


Figure 3—Temperature Zones of the United States

eat, sleep, work, and play differently, wear different clothes and read different books from those in the North. Most manufacturers recognize the pronounced differences in tastes and requirements be-

tween the regions of the extreme South and those of the extreme North. What they sometimes fail to recognize is that, if there are such contrasts between the extremes, there must be less pronounced but equally existent contrasts between the requirements of regions whose climatic differences are more moderate.

In the storage battery industry, a few years ago, an investigation was made of the life of automobile batteries of different kinds under all conditions of service. Up to the time of this investigation, it was a debatable point whether batteries had a longer life in the South or in the North. In the North, there were the rigors of the winter months, with the freezing of batteries and the strain of difficult starting to be considered. In the warmer climate, batteries needed more frequent replenishing of water. Theoretically, there were as many difficulties to contend with in one extreme of climate as in the other.

Investigation proved clearly that, while the life of the storage battery varied according to a number of factors, such as the make of car, the make of battery, rural versus urban use, annual mileage, etc., the most important and most faithful variation was according to climate. The other factors equalized themselves, but the average life of the battery corresponded so closely with the isothermic or temperature curves of the weather map that there could be no mistaking the significance of this factor.

Previous to this investigation, sales projections

for the battery replacement business could only be based on the number of automobile registrations. Investigation proved that the life of the battery was half again as great, in some extremely Northern territories, as in some in the extreme South. This meant that two batteries in the North, on an average, would give equal service to three in the South. There was, therefore, 50 per cent more opportunity for replacement in Southern territories in relation to automobile registration than in the North. The determination of the significance of this geographic

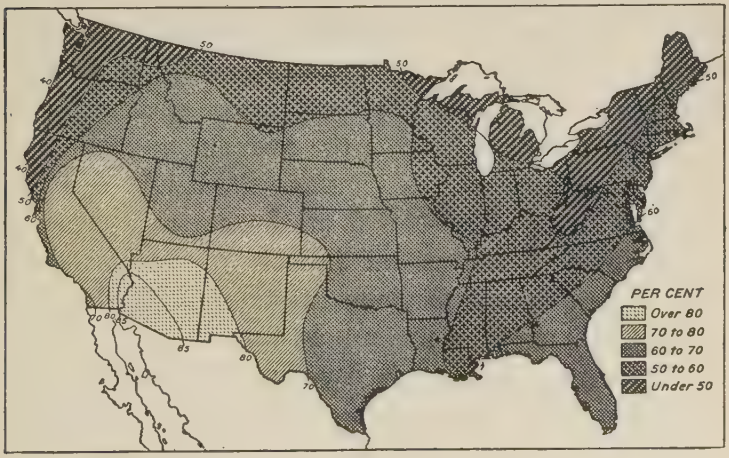


FIGURE 4—PERCENTAGES BY STATES OF POSSIBLE ANNUAL SUNSHINE

factor to the storage battery replacement business involved a complete revision of sales projections and quotas, with climate as a basic consideration.

Climate is too often looked upon only as a matter of difference in temperature, but it must be remem-

bered that the term embraces temperature, humidity or moisture, and atmospheric movement or winds. The fact that New York has three clear days to every two in Buffalo carries significance to many manufacturers besides those of umbrellas and straw hats.

4. *Significance of climatic variations.*—Although climate is reported in the statistics in terms of averages—average temperature, average humidity, average rainfall, etc.—it does not actually operate according to these averages. One of the chief attributes of a climate is its changeableness. Since this changeableness makes markets for a great many different kinds of merchandise, it is important for the marketing man to consider the extremes of temperature or rainfall as well as the averages.

It is also important to consider the length or duration of seasons. A section of the country that has long winters furnishes an entirely different market for many of the essentials of life than another section with equal extremes in temperature or snowfall but with winters of a month or two less in duration. The former territory is likely to consume more overshoes, pancake flour, electric light bulbs, storm doors, and insulation board, per capita, while the latter is likely to show a heavier sale, per capita, of soft drinks, prepared breakfast foods, lightweight clothing, screens, and porch furniture.

Again, one must be careful not to generalize too broadly with respect to the climate of a given section.

Even a single state may have a considerable range in climate or, indeed, a variety of climates. This is true, to a pronounced degree, of California, about whose climate so much has been written. As a matter of fact, California can produce almost as many different kinds of climate as the entire United States. The same is true in a lesser degree of New York State, as anyone journeying from New York City to Rouses Point will quickly discover.

The cities on the Great Lakes often have a week or two longer of winter than the adjacent towns only ten or twenty miles inland, owing to the refrigerating effect of the ice-bound waters. This week or two of difference is of extreme importance to many manufacturers, whose early spring sales are retarded because their wholesale outlets in these larger cities are influenced by the demand from the market immediately at their door.

5. *Drops in temperature increase productivity.*— Note how the weather affects the working efficiency of factory employees, as shown by the chart prepared by Professor Ellsworth Huntington and reproduced on page 58. Professor Huntington's studies covered some twenty years. He concluded that "when today's temperature is the same as yesterday's, people tend to work slowly and to think slowly, while, if there is a change in the temperature downward, they work faster." It has been proved that a drop of ten to fifteen degrees in temperature brings about a definite increase in produc-

tivity. Note that the two highest points of working efficiency were reached, in each instance, on the second cloudy day, when there is almost certain to be a drop in temperature.

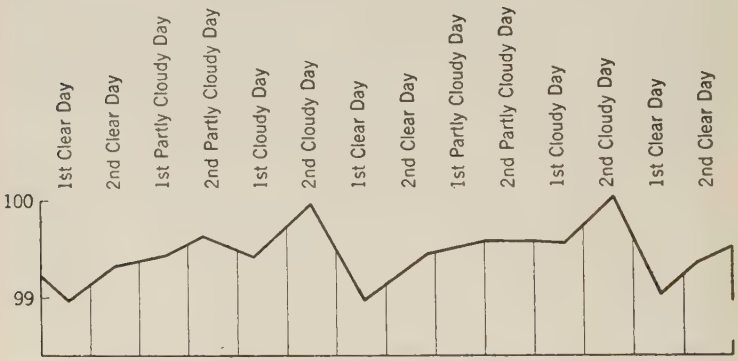


FIGURE 5—CHART PREPARED BY PROFESSOR ELLSWORTH HUNTINGTON TO SHOW EFFECT OF WEATHER CHANGES ON WORKERS' EFFICIENCY

Weather is not climate, but climates are responsible for different kinds of weather. Regions most subject to storms show the greatest business activity. Climatologists have asserted that the great climatic advantage of Europe over all the world is its abundant storms. It is not a mere coincidence that the stormy region of the United States, namely, the Northeastern section, has the most vigorous business. This, incidentally, is said to be the one region in the world that has more storminess than Europe. The Northwestern section of the country has a climate very much resembling that of the Northeast, and, young as it is industrially and commercially, it is already demonstrating marketing and industrial char-

acteristics very similar to those of the Northeast. New York and Chicago enjoy the most stimulating climates in the whole United States, while such cities as Baltimore, Washington, Nashville, and Memphis do not have enough storms.

An interesting instance of the effect of the weather upon the sales of a large baking company is cited by Mr. Haring. This company discovered, almost by accident, that its variations in sales by days of the week were meaningless until they were checked with the temperature curve. In the course of keeping records for forty plants, it has found that the demand for sweet cakes, following two days of storm in winter or two days of rain in summer, will go up 35 per cent. On the other hand, a rise in temperature during the summer will bring about a decrease of 15 per cent on the second hot day and a further 15 per cent on the third. The sales instantly rebound with a drop in temperature. This company forecasts its cake-baking from day to day on the basis of weather reports.

The manufacturers of Chevrolet cars make a definite study of climate, in connection with other factors, in establishing sales quotas. While the peak of their demand throughout the country as a whole is in the months of April to June, inclusive, they have found that, in more than half of their marketing districts, climate and other considerations shift the peak ahead or behind this period. In Florida, for example, the peak is in January and February, while

in Georgia it is in August and October, due partly to climate but probably even more to the difference in the effect of the tourist crop in the one state and of the cotton crop in the other.

6. *The soil.*—Topography, climate, and soil unite in determining the extent and character of the agriculture of the country or of any part of it. While

Figure 6—Principal Agricultural Belts of the United States

soil is admitted to be of less importance than topography and climate, it is an essential element of productive agricultural land, the most valuable of natural resources.

Different soils lend themselves to different kinds of crops, which in turn are determining factors with respect to the prosperity and stability of various

agricultural regions. The Corn Belt is largely dependent upon the silt-loam soils of great depth and fertility; wheat calls for heavy and dark soils of high fertility to produce its best grades; prairie soils have a high humus content and produce wheat with more protein than those in lighter soils; rye can be grown on poorer soils than wheat, and on a more acid soil; and barley will stand more alkali.

7. *Water resources.*—The pious old lady who marveled at the kindness of Providence in furnishing rivers to run through all the large cities, displayed some knowledge of geography but a lack of understanding of its economic significance. It is the natural resources that first attract the people to inhabit and populate a region, and their nature and abundance are important factors in determining the type of the people, their distribution throughout the area, the movement of the population, and the chief occupations.

Rivers furnish the first highways of a new country, along which trading centers are established and mills are built. These mill towns and villages grow with the development of the country until they become the important market centers of widespread areas. When Joliet, La Salle, and their followers explored the rivers and lakes of the Middle West and planted settlements of hardy French pioneers, they left a heritage, not only of French names which will continue indefinitely to identify the cities that grew out of these settlements, but of tastes, customs, and tra-

ditions that definitely affect these markets in their reaction to different kinds of merchandise.

Many of the important industrial cities of America, such as Minneapolis and Lawrence, owe their existence very largely to the influence of water power in attracting their early industries to these locations. With the employment of other forms of power, this influence has tended to diminish, but the recent development of hydroelectric power has helped to reassert it. The water power resources of the United States are estimated to be about fifty million horsepower. With the construction of reservoirs and other means of storage, they might be increased to two hundred million. The largest development of water power has centered in the East, particularly at Niagara Falls, but the greatest potential water power is in the West, and this will undoubtedly have a great deal to do with the future industrial growth of that region.

8. *Development of natural resources.*—The significance and influence of natural resources are seldom correctly appraised, nor is it recognized that such influences are as susceptible to change as they really are. People have a vague understanding of the fact that there is an abundance of undeveloped water power in the country, but have little conception of the revolutionary changes that are taking place, and that will take place in the future, with even a partial harnessing of these immense resources. Roosevelt Dam, in the Southwest, is already revolu-

tionizing markets in that part of the country, and the transition is only at its beginning.

Mineral resources are taken for granted, but it is not in the existence of such resources, but in the exploitation of them, that new markets are made. As the mining industries expand through improved efficiency in methods or processes, or in response to a more pronounced demand for their products, the importance of mineral deposits or mining regions is at once accentuated from a market standpoint. We are tempted to think of mines as characteristic of rugged mountainous regions, moreover, and to forget the important desert mines, with their rich deposits of borax, potash, or salt.

Even the fisheries take on a new importance when science steps in and invents a freezing process that provides for much greater flexibility in the transportation and marketing of their products, greatly expanding the market for fresh fish and, in turn, producing better markets for the manufacturers of all commodities in sections where fisheries flourish.

The marketing man who is alert to seize upon new opportunities as they present themselves will recognize, as a fundamental principle, that whenever any product expands or improves its market, as a result of scientific or economic development, the regions producing that product are immediately made better markets for his own merchandise.

9. *The American forests.*—The forests of America originally covered more than 40 per cent of the

total area. The forest resources of North America were greater than those of any other country. This led to wastefulness and recklessness in lumbering operations and in the clearing of land for agricultural purposes. In area, nearly a quarter of the United States is still largely timberland, but less than one-third is virgin timber, and a large proportion of this virgin timber is located in the least accessible places.

Probably nothing has had a greater effect on the marketing geography of the country, from the time of its inhabitation by the white race, than the movement of the lumbering industry. This was one of the important industries of New England after its settlement, providing the basis for shipbuilding operations and furnishing an important commodity for export to Europe. As late as 1850, New York State led in lumbering operations, but within ten years the leadership passed to Pennsylvania. The industry then moved westward through the white pine regions of Michigan, Wisconsin, and Minnesota. Today, most of the timber is west of the Great Plains, although since 1900 the main source of building timbers has been the pine regions of the South. Many industries, and the markets which they feed, are dependent upon lumber or wood in some form, and this dependence has largely influenced the location of their centers. During the migration of the lumbering industry, the sources of supply have moved farther and farther away from these centers,

in many instances. Grand Rapids, the greatest furniture center in the world, now imports from other states three-quarters of the wood it uses. The manufacture of vehicles and agricultural implements found its original location, which has been maintained, in the so-called Central states, because of the former accessibility to the central hardwood forest. The automobile industry was built largely on the foundation that the wagon and carriage industry supplied, and owes its location very largely to the original influence of the earlier forest regions.

Location of the paper mills has been governed by the sources of supply of pulp wood, together with the requirement of an abundance of pure water and of water power. Paper and pulp mills are therefore centered largely in the Great Lakes region and in New England. The tanning industry is dependent upon the supply of oak, hemlock, and chestnut barks, and its location has been influenced by the original sources of supply of these products.

10. *The oil fields.*—A natural resource of infinite importance to the commerce of the country is that of the oil fields. Upon petroleum and its products, we are dependent for the fuel that runs our automobiles and many of our trains and ships, and for the lubricants that keep the wheels of industry turning smoothly. The fields that have thus far been discovered and exploited are in four great groups: one in the eastern section of the country, extending from western Pennsylvania through the states of

West Virginia, Ohio, Kentucky, Indiana, and Illinois to the Mississippi River; the mid-continent field of Kansas, Oklahoma, and Texas, with its adjoining field on the Texas-Louisiana Gulf Coast; the Rocky Mountain field, centered in Colorado and Wyoming; and the California field.

The petroleum industry not only provides one of the most essential commodities of commerce, but is also a dominant influence upon the character of the market in those regions where it flourishes. The bringing in of a new well, or a number of wells, in a certain field is a signal for a boom, the effects of which are immediately felt by everyone supplying that territory. On the other hand, a decline in production or activity is marked by a similar decline in both buying capacity and disposition.

REVIEW

Illustrate the influence of its topography upon the market capacity or value of a region.

Name three distinct features of climate that should be considered in studying its effect upon a market area.

What kind of business should find it profitable to forecast sales in relation to climatic or weather conditions?

Explain the importance, to a marketing executive, of keeping posted on the development of natural resources in various sections.

Describe the westward movement of the lumbering industry in the United States. What is the present relation of forests to marketing?

Describe the influence of oil resources in creating markets.

CHAPTER V

THE PEOPLE—FACTORS AFFECTING THEIR BUYING CAPACITY

1. *The significance of buying capacity.*—The characteristics of the people in any country, district, or community are chiefly significant to marketing in the degree to which they affect (a) the buying power or capacity of the population and (b) their buying disposition. "Buying power" is a much used and much abused term. It is a common error in business to set up sales projections or to check sales performance by territories on the basis of buying power only. Sales can only be made to people who have a possible use for the product and who are both *able* and *willing* to buy. We shall consider the factors affecting disposition to buy in the following chapter.

To illustrate the significance of buying capacity, let us assume that a company is considering the marketing of a new and improved type of electric refrigerator. Before the plans for production and sales are completed, it is vital to determine such factors as the following: How many homes throughout the country and in its various divisions, and particularly in those territories in which the new refrigerator will first be sold, are supplied with electricity? How

many of these, in turn, are already provided with electric refrigerators? What is the average life of the refrigerators now on the market, or how long will it be before these families are again possible customers? What proportion of the remaining wired homes are occupied by families having sufficient buying power to afford this new electric refrigerator? All of these questions relate only to the buying *capacity* of the market.

We shall presume that a searching analysis of a given territory has shown a potential market for one hundred thousand such refrigerators. The point that must be recognized, and that often is not recognized as clearly as it should be, is that this is an appraisal of the possibilities, rather than the probabilities, of this particular market. If the figure has been fairly arrived at, it means, not that one hundred thousand electric refrigerators will be sold or are likely to be sold, but rather, that *not more* than one hundred thousand refrigerators *can* be sold. It is a limiting factor rather than a measurement of probability. It is like a 300 score in a bowling game, always possible, but seldom achieved even by the most proficient bowler.

Before the promoters of the new refrigerator are justified in seriously considering a large investment in the production and marketing of their product, they need to obtain additional facts informing them of what the other manufacturers of electric refrigerators have done and are doing, the opportunities

and difficulties to be encountered in securing satisfactory distribution or representation, and the degree of interest or willingness to buy existing among their potential customers.

2. *Studying the distribution of population.*—The chief factors that affect buying power or capacity are distribution of population, vitality, and wealth. A number of sources of information are readily available which present the figures developed by the United States Census in various arrangements. Among these may be mentioned the "Market Data Handbook of the United States," compiled in 1929 by Paul W. Stewart of the Domestic Commerce Division of the Department of Commerce; the "Atlas of Wholesale Grocery Territories," likewise compiled by the Domestic Commerce Division; "Population and its Distribution," J. Walter Thompson Company, New York; and the "Markets and Media Reference Number," published annually by *Sales Management.* A comprehensive bibliography of publications of value in measuring markets is given in the introduction to the "Market Data Handbook." These publications present such data as the total population of states, counties, cities, and trading areas, the number of families, the division between urban and rural population, etc.

In using statistical sources on the distribution of population, care must be taken to ascertain the dates of the census figures presented. Until the results of the 1930 census are generally incorporated in new

publications, or in revisions of the ones listed above, the marketing manager will find that a variety of sources has been drawn upon in compiling population statistics, including the official census figures for 1920, the 1925 state census figures (available for eight states), the Census Bureau estimates of population prior to the 1930 census, and the 1930 figures. Many of the publications at present available were compiled on the basis of the 1920 census, when the total population of the United States was 105,710,620. Estimates of the total for 1930, made prior to the taking of the census, ranged from 125,000,000 to 130,000,000; the actual total, as determined by the census, is 122,728,873. Increases have not been evenly distributed, by any means. In some places, in spite of the large general increase, there have been actual decreases in population.

3. *Census figures give only approximate idea of markets.*—Most people, including a large number of sales executives, uncritically accept census figures of population as indicative of the size of the market. It is important for the marketing man to recognize a fact which the compilers of the census themselves recognize, namely, that the city population figures, as given by the census, do not accurately measure the size of the larger cities of the country, to say nothing of their importance as wholesale or retail markets.

Any ranking based upon city population figures is bound to be erratic, for the reason that the political boundaries, by which the census must be governed,

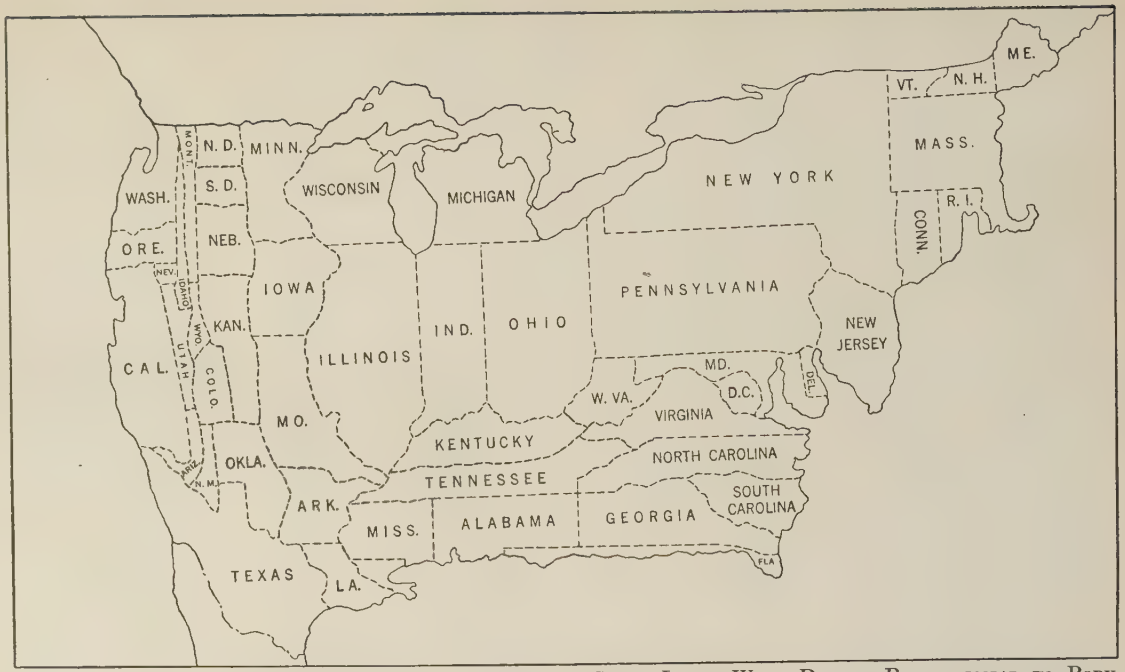


FIGURE 7—HOW THE UNITED STATES WOULD APPEAR IF STATE LINES WERE DRAWN PROPORTIONAL TO POPULATION (1920 CENSUS)

seldom correctly define the entire city as it is recognized by the people who live in it. In many cities there are suburbs, originally detached but now solidly attached to the parent city, which have maintained their independence in name and government because of certain real or imaginary advantages thereby derived. No one can recognize the boundary line between Chicago and Evanston or Oak Park, Detroit and Hamtramck, Cleveland and Lakewood, Boston and Brookline, or the borough of the Bronx and the city of Mt. Vernon. On the other hand, there are cities like Los Angeles and Des Moines whose boundaries embrace wide unsettled areas in addition to that of the city proper.

A not unusual error in interpreting the significance of census figures is the confusion of rural and farm population. It is rather common to consider the total rural population of an area as farmers. The Census Bureau classifies as rural all unincorporated territory and all incorporated places having fewer than 2,500 inhabitants, excepting Massachusetts, New Hampshire, and Rhode Island, where it includes all towns under 2,500, whether incorporated or not.

4. *Vitality.*—The vitality of the people, as shown by the birth and death rates, the marital status, and size of families, is a factor of significance to many manufacturers in determining buying capacity.

5. *Wealth and buying capacity.*—To take money out of a community in payment for merchandise, it

is first essential that the money, or its equivalent in credit, shall be there to take out. Hence, it is necessary, in measuring the buying capacity of a market, to determine the wealth of its people. Other things being equal, the relative potentialities of two territories for a product of general consumption should be in direct proportion to the size of population, the amount of wealth, or a combination of these two factors.

The consumption of the necessities of life will have a more direct relationship with the numbers of people than with their wealth or buying power, although a prosperous community will consume more of even the necessities, or will consume necessities of higher quality, than will an unprosperous community. The consumption of luxuries will be more dependent upon the wealth or income of the people, or, more strictly speaking, upon the size of the group enjoying sufficiently liberal incomes to afford the particular luxury in question.

Ten thousand families in one community, having an average income of $4,000, may own just as many automobiles as ten thousand families in another community, having an average income of $6,000; but it is extremely probable that in the latter community there will be a much larger number of Packards and Cadillacs. Wealth must always be considered in relation to the extent of the population.

The buying capacity of the people is indicated by both the residual wealth and the increment, or, in

simpler terms, by what they own and what they earn. The residual wealth, or what they own, is significant as an index of buying power, because it is an indication of credit capacity. It is, beyond that, an index of buying disposition, or of the thrift of the inhabitants of a particular region.

6. *Estimates of wealth in the United States.*—Table 1 is taken from a compilation by the National Industrial Conference Board. The figures are for 1928. Those in the first column are expressed in millions of dollars. Tangible property is considered in the place where it was located, regardless of ownership. The geographical divisions are those of the Census Bureau.

7. *Interpretation of estimates of wealth.*—Table 1 illustrates some of the difficulties confronting the marketing executive in appraising the significance of geographic data and in making an intelligent application of them to his own particular problems. All statistics must be studied with a careful eye to their source, accuracy, and significance. The misinterpretations and misapplications that occur all too frequently in the business use of statistics are due to a failure to check up on these points.

In Table 1, the per capita figures of the last column are especially significant. Their significance is increased by comparisons between the figures for the various sections and states, and between these and the average for the entire United States. If the student makes a casual and undiscriminating ex-

TABLE 1

ESTIMATED WEALTH OF THE UNITED STATES

Geographical Divisions and States	Total (In Millions)	Per Capita (In Dollars)
United States Total	$360,062	$3,000
Not distributed	6,542	54
Distributed by states	353,520	2,946
New England	28,145	3,401
Maine	2,303	2,897
New Hampshire	1,587	3,480
Vermont	943	2,676
Massachusetts	14,955	3,486
Rhode Island	2,205	3,080
Connecticut	6,152	3,690
Middle Atlantic	86,694	3,437
New York	40,570	3,513
New Jersey	13,514	3,537
Pennsylvania	32,610	3,309
East North Central	77,572	3,110
Ohio	21,281	3,118
Indiana	9,869	3,107
Illinois	24,276	3,282
Michigan	13,223	2,880
Wisconsin	8,923	3,022
West North Central	50,642	3,819
Minnesota	9,481	3,483
Iowa	11,352	4,675
Missouri	11,261	3,196
North Dakota	2,576	4,018
South Dakota	3,401	4,831
Nebraska	5,800	4,119
Kansas	6,771	3,690
South Atlantic	33,531	2,079
Delaware	722	2,959
Maryland	4,517	2,795
District of Columbia	1,854	3,359
Virginia	5,637	2,189
West Virginia	5,348	3,102
North Carolina	5,396	1,837
South Carolina	2,749	1,475
Georgia	4,421	1,380
Florida	2,887	2,046
East South Central	14,677	1,558
Kentucky	3,979	1,559
Tennessee	4,930	1,970
Alabama	3,304	1,284
Mississippi	2,464	1,376

TABLE 1 (*Continued*)

Geographical Divisions and States	Total (In Millions)	Per Capita (In Dollars)
West South Central	$21,872	$1,852
Arkansas	2,866	1,474
Louisiana	3,847	1,973
Oklahoma	4,261	1,756
Texas	10,898	1,986
Mountain	13,882	3,550
Montana	2,547	4,640
Idaho	1,818	3,330
Wyoming	1,160	4,696
Colorado	3,505	3,216
New Mexico	959	2,422
Arizona	1,568	3,308
Utah	1,757	3,309
Nevada	568	7,338
Pacific	26,505	3,762
Washington	5,704	3,594
Oregon	3,828	4,244
California	16,973	3,725

amination of these figures, he will come to some startling but very erroneous conclusions.

He will see, for example, that the highest per capita figure is for the state of Nevada and the lowest for Alabama. If he jumps at the conclusion that the richest people in the United States live in Nevada, and the poorest in Alabama, he will be far from the facts. Even a school boy knows better than that. An astute business man will not make so preposterous an observation as the foregoing, but he is likely to follow much the same line of thinking when he compares the figures for North and South Dakota, or for New Hampshire and Vermont.

The thing that must always be borne in mind is that any per capita figure is a theoretical average, drawn for the purpose of quick comparison, and

based on the hypothesis that wealth is equally distributed among the individuals of the geographical unit. To compare the market capacity of groups of states, Table 1 lacks what is vitally necessary, namely, data to show the degree to which wealth is concentrated or widely distributed, and the size of the groups in various brackets according to wealth.

8. *A comparison of two counties.*—Let us turn to the "Market Data Handbook" for a further illustration. We will consider ourselves interested in the farm market and will check two counties in the state of Wisconsin of comparable size and characteristics. These are Kenosha and Racine, in the extreme southeastern corner of the state. This section of the "Market Data Handbook" gives, for every county in the United States, the total number of farms, the percentage of tenancy, the total farm population, land areas, total in farms and in crops, estimated annual farm income, total value of crops, value of live-stock products, and farm values.

On the map, Racine County and Kenosha County seem to be about equal in size and there is, in fact, only 15 per cent difference in favor of Racine County in total land area. However, we find that there is 33 per cent more farm land in Racine County than in Kenosha County and 62 per cent more farms. The average farm in Racine County is a trifle smaller than in Kenosha County, and the farm value in Racine County averages $15,200 as against $16,300 in Kenosha County. This is the value of all farm prop-

erty. The average yearly income from sales is $2,160 in Racine as against $2,160 in Kenosha County.

In estimating the potentialities of these two counties for products which offer a possible sale to every farm, therefore, we have three facts of primary consequence: first, the comparative number of farms; second, the comparative property values or residual wealth; third, the comparative farm income. The chief point of contrast is in the size of the market. Racine County offers 52 per cent more prospects, but Kenosha County offers a slightly better average prospect so far as wealth and income are concerned.

9. *Use of income statistics.*—Probably there is no province in which statisticians go astray more than in the use and interpretation of income figures. For the most part, these are derived from the statistics of income compiled by the Bureau of Internal Revenue, U. S. Treasury Department. Thus, our income figures, like our population statistics, are a by-product of political requirements. The limitations of this data are well expressed by the author of the "Market Data Handbook," as follows:

> The income tax returns are an important factor in measuring purchasing power, but in their use some limitations should be borne in mind. They are good, though not conclusive, direct indicators for some commodities, such as high-priced automobiles, while for others they are practically useless. Sales of convenience articles, such as soap, sugar, and the less expensive grades of tea, for example, are not affected in any great degree by differences in purchasing power.

Another limitation to consider in connection with income indexes, in general, is the variation in the cost of living, which differs greatly between large cities and rural communities. Also, income-tax returns tell an incomplete story, because only a small proportion of the people of the country file returns—about 3.5 per cent in 1926. Many persons have their funds invested in tax-exempt securities, and the income derived therefrom is not reflected in this factor. Neither is the buying power of agricultural communities accurately reflected in the tax returns. Nevertheless, they are of value when used in conjunction with other compensating factors.

10. *A breakdown of "spendable income."*—In its annual reference number for 1929, *Sales Management* made an earnest attempt to present by counties a more comprehensive analysis of income than is ordinarily available. Its tabulation lists the 1928 estimated population, automobile registrations (subdivided into those under $1,000 and those over $1,000), number of incomes of $1,000 or more (subdivided into those of $1,000 to $5,000 and those over $5,000), and "all spendable money income" in thousands of dollars—urban, farm, total, and per capita. In the introduction to this analysis, the following statement is made:

> To know how many potential customers any market contains and the average amount each has to spend is to know the fundamentals of sales possibilities. When, to this information, we add a breakdown of spendable incomes above $1,000 and automobile registrations by definite price classes, as is done here, we have essentials indispensable to safe sales planning.
>
> Use and wont have too long sanctioned a very liberal

interpretation of the phrase "buying power." Factors of income have been lumped with factors of wealth, distribution of goods, standards of living, or buying habits. In some cases, these rather heterogeneous data have been weighted for a general index of buying power. More often, they have been left in the raw for such combination and inference as suited the purpose of each reader.

Statistics of income, though widely used as a compendium of buying power, are, on their face, valuable solely as a clue to the sum of incomes reportable for taxation and as a guide to income classes. And even this limited value has been further cut down since 1924 by a change in the law governing returns. This change, raising the minimum net income which must be reported and at the same time increasing the personal exemptions, had the effect of withholding from the records more than 40 per cent of the incomes reported in 1924. The banished incomes, needless to say, remained intact. As a matter of fact, they were of greater service than ever in the market place, from being wholly outside the tax gatherer's clutch.

11. *Credit capacity.*—Buying power is dependent upon credit capacity as well as upon income. To explore all of the ramifications of the credit system would require a lengthy volume for that purpose alone. It should be remarked in passing, however, that, with the rapid growth of installment selling, the credit capacity of the individual or the family has become an important marketing consideration, particularly to those companies selling consumer merchandise and still more particularly to those selling commodities that are mainly bought on time payments.

The firm or corporation, in exercising its credit

capacity, does so mainly on the strength of its assets in the form of present possessions. Individuals or families often borrow against their income expectancy and their future incomes are, therefore, mortgaged to the extent of the installment purchases with which they have loaded themselves. Business concerns, as a rule, use their credit capacity more cautiously and more intelligently than do individual families, for the reason that their budgets are more closely scrutinized by their own officers and by their bankers. Manufacturers and merchants who sell on credit, in their eagerness for volume, often fail to exercise as much care, or to apply as rigid rules, in the extension of credit to the family or individual as they will when dealing with established businesses.

The result of this is to inject another important factor into the determination of buying capacity, which is extremely difficult to appraise, and that is, that the income must be weighted by a consideration of the degree to which credit capacity has already been employed, or the extent to which future income has been mortgaged.

This will vary greatly, according to different territories and cities. A national survey of credit conditions has been conducted by the Domestic Commerce Division at the request of the National Retail Credit Association. Among the points covered in the report of this survey are collections, percentages, ratios of credit, the total sales among stores in different lines and between stores of different sizes, and

the proportion of returns in sales on open and installment credit as compared with cash sales. Statistics with regard to collections in various districts serve to some extent as an index, though scarcely as a measurement, of the extent to which credit capacity has been drawn upon and, therefore, the extent to which actual buying power has been reduced.

REVIEW

What is meant by saying that buying capacity sets up possibilities, rather than probabilities, in marketing?

Name the three leading factors that determine buying power.

State the cautions that are necessary in studying distribution of population by reference to census statistics.

Show how the vitality of a population may affect its buying capacity.

Which is the better index of possible consumption of luxuries, wealth or size of population?

Show why income tax returns are of limited usefulness as an index to buying capacity.

How do installment selling and buying on credit affect income figures intended to show buying power?

CHAPTER VI

THE PEOPLE—FACTORS AFFECTING THEIR BUYING DISPOSITION

1. *The spirit of responsiveness.*—Sales can only be made to people who are both able and *willing* to buy. Facts with regard to the size of population, the occupations, and the wealth and income of people serve to measure their ability to buy, but are not directly indicative of their buying disposition.

Maeterlinck, in his "Life of the Bee," refers to the "spirit of the hive," of which every bee keeper is fully conscious. In every bee yard, there are some hives with a greater spirit of industry than others. They make more honey. Even more pronounced is the temperament of the bees in different hives. There will be a hive, or perhaps several of them, in every large bee yard in which the bees are particularly angry or vicious or resentful of intrusion.

In the same way, there is a distinct spirit of responsiveness attaching to certain markets. Sometimes even the most searching analysis will not reveal the reasons for the responsiveness of a given market, but every experienced sales manager is well aware of this condition. There may be two towns or two counties so close together that they are worked by

the same sales people. They have the same kind of industry, the same types of merchants, and apparently the same kinds of people, yet one community will prove to be an infinitely better market for a given product than the other, and no amount of cultivation will bring the unresponsive market up on a level with the responsive one.

Here is a characteristic of primary consequence to the marketing executive. It is frequently of much more consequence than all of the facts that can be assembled with respect to the buying capacity. If the people have the ability to buy but cannot be induced to exercise it, the manufacturer or merchant is just as badly off as if they lacked the ability. On the other hand, if sales can only be effected with extravagant expenditures in sales work and advertising, it may easily be that another territory with much less buying capacity, but greater buying disposition, will produce a greater abundance of sales results, with less effort and expense.

There are a number of factors which influence, in a greater or lesser degree, favorably or unfavorably, the buying disposition of the people of a district or community. Among these are racial characteristics, nativity, parentage, and religion.

2. *Race, nativity, and parentage.*—In the United States, we are chiefly concerned with the division in any section or community between the white and negro races. In most of the Southern states, the proportion of negro population to the total is an

important factor to be considered in connection with any marketing plan.

For some products, such as certain foodstuffs, the negro population offers a potential consumption equal to, or greater than, that of the white. Probably for a majority of products, however, the proportion of negro population will be found a limiting factor. On the Pacific Coast, particularly in California, the number of Japanese is sufficiently large to be taken into consideration.

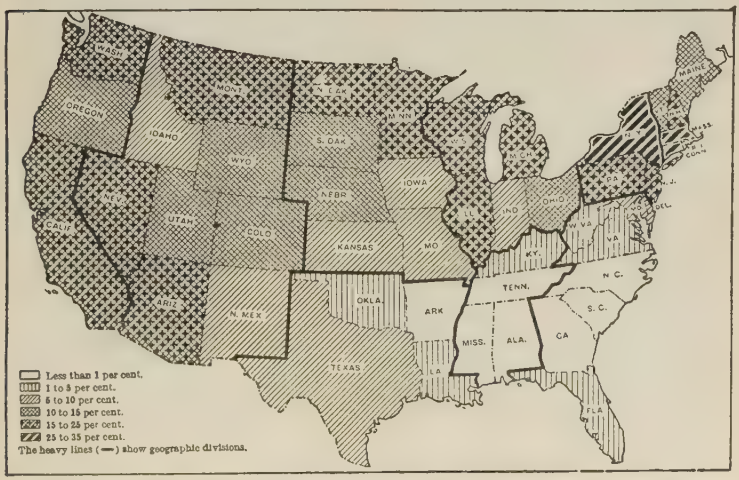


FIGURE 8—PERCENTAGE OF FOREIGN-BORN WHITES, BY STATES (1920 CENSUS)

Nativity and parentage have a great deal to do with determining the living habits and customs of large proportions of the people and, frequently, the degree of their responsiveness to new ideas and merchandise, or to various forms of presentation of mer-

chandise in advertising and display. The proportion of native born in any community indicates the extent to which new blood is coming into the community. New people bring with them new ideas and requirements and form new affiliations.

This is an important fact for a retail merchant to consider in connection with the make-up of his own community. Surveys have shown that old, established stores in certain cities have been gradually losing business to competitors, because of their failure to attract the patronage of newcomers to their market. Depending almost entirely upon their prestige with the native-born families, they fail to keep step with the changing complexion of their community. In the same way, manufacturers, doing a national or sectional business, sometimes fail to maintain their position in a given area, because they do not recognize the degree to which new people are coming into the section, bringing with them their attachments to competing products, or having no such preference and being, therefore, more susceptible to the aggressive merchandising of other and perhaps less established manufacturers.

3. *Dominance of foreign-born in certain markets.* —The student of markets should become familiar with the various strains of nationality that are present in any area or community under consideration. Differences in standards of living with respect to food, clothing, and home furnishings will be found, often to a pronounced degree, between the immi-

grants from the various European countries who constitute large masses of both urban and rural populations. One of the chief differences to be found is in occupational tendencies. There are also material differences in the responsiveness of these various groups.

By Ewing Galloway

FIGURE 9—WHERE THE FOREIGN-BORN DOMINATE: THE EAST SIDE, NEW YORK

The foreign population of the lower East Side of New York is so dominant as to require special consideration and treatment in any sales or advertising activity in that area. To reach this consuming public effectively, foreign-language newspapers or other media must be employed, and, to cover the retail

trade successfully, salesmen must be used who can speak the prevailing languages.

The "Commercial Survey of New England" makes some interesting observations with regard to the foreign-born of that section. More than half the population of the New England states is either foreign-born or of foreign parentage. From the standpoint of buying habits, it is said, the native-born of foreign parents may be omitted from consideration, for the rapidity with which they are assimilated through the influence of schools and local environment soon places them beyond influences that lead to what are termed "peculiar" modes and habits of living, ascribed to foreign origins. The principal nationalities prevailing in the foreign-born group in the New England states are Irish, French-Canadian, Italian, Canadian other than French, Russian, English, and Polish. About one-third of the foreign-born group is of the English-speaking nationalities, leaving two-thirds of this group, or approximately one-sixth of the total (a substantial part of the market numerically), with "peculiar" foreign modes and habits of living that demand special consideration in marketing operations.

4. *Characteristics of specific nationalities.*—Research has discovered a rather marked tendency for members of a given nationality to deal with their own kind. In many Italian districts, most of the stores are operated by Italians; in the French districts, the stores are operated mostly by the French. In Polish communities, store operation is often in

the hands of Jewish dealers. In some instances, Slavs have endeavored to open stores in Hungarian neighborhoods and have failed, while Hungarians have opened stores in the same sections and succeeded. Chain grocery stores, attempting to operate in foreign neighborhoods, have often failed; where they have met with any degree of success, the store manager has been of the race prevailing in the neighborhood.

These "foreigners" are frequently frugal, either due to limitations of income or a tendency to hoard their earnings, particularly when they first arrive. They are inclined to show a suspicious attitude toward the merchants whom they patronize until the latter have gained their confidence, but their business is well worth a special effort to get, because, as a rule, they either pay cash, or, if credit customers, pay their bills promptly. Further than that, they turn into steady customers, having less of a tendency to switch their patronage from one store to another, and they have a pronounced faculty for advertising to others of their nationality, by word of mouth, any store that they like.

The first things for which the foreign-born families are likely to spend money are the furnishings for their homes, starting, generally, with overstuffed parlor furniture. The French and Italians are given to buying more gaudy and highly decorated merchandise, while the Finns and Poles are said to be conventional in their tastes. Some of the peculiar

preferences remarked upon in the "Commercial Structure of New England" are the requirements among the French and Poles for a high grade of peas, and a heavy demand on the part of the French-Canadians for maple syrup, with a preference toward a syrup that is dark in color and mixed with other syrups, rather than for the purer grades.

Poles and Italians are attracted by showy jewelry and are said to be less critical and discriminating than some of the other nationalities. It is stated that "a distinctive trait of Polish customers is that they will not listen to argument or explanation. It is much better to make the correction or to make changes in goods, when necessary, and to explain clearly that there will be no extra charges."

5. *Influence of religion.*—Prevailing religion, too, has its effect on the market capacity for some types of products. An obvious example is the degree to which the consumption of certain packing-house products is diminished in Catholic communities through the observance of fast days and the Lenten season, and in orthodox Jewish sections at all times. In communities where there is a strong Quaker influence, there is a visible effect upon the clothing market, due to the prevailing tendency toward sobriety in dress.

6. *Education and cultivation.*—Buying disposition is affected, usually favorably, by the degree of education of the people in the territory or community. Absolute illiteracy, the extent of which is tabulated

by the Census Bureau, is obviously a limiting factor, but by the term "education" we refer to the extent to which the public is educated to that standard of living, or standard of quality, which is necessary to a receptivity for the product with which one may be concerned.

By cultivation, we mean the degree to which that standard of living, or standard of quality, has actually been "sold" or promoted among a people. A certain section of a city, for example, may achieve a level of prosperity, due to industrial development, such that its inhabitants can well afford luxuries in the way of home equipment and furnishings that were previously beyond their reach. They may have a sufficient degree of education to recognize the desirability of such things, but may lack the incentive of "keeping up with the Joneses." Through the aggressiveness of some merchant, a wave of buying is started. As this gains momentum, the buying disposition of the entire district is materially improved.

7. *Intercourse of people.*—The extent to which the people intermingle socially or occupationally has no small bearing upon their buying disposition. Advertisers give a great deal of consideration to the circulations of the magazines and newspapers in which they advertise. There is an equal significance attaching to the mobility of the people to whom they advertise, or who use their products.

When the farmer's wife became less isolated, through the advent of the automobile and the im-

provement of roads, shortening the distance between neighbors and between the farms and towns and villages, there was a marked change for the better in her buying disposition. When she bought something new for her home, a dozen of her neighbors and friends knew about it and discussed with her the merits and demerits of her purchases.

If, likewise, there is a greater amount of social or occupational intercourse in one town or city than in another, other things being equal, that town or city will be decidedly the better market. When a customer is once sold, the merchandise gets talked about. This is true, whether the merchandise in question is a new oriental rug or a new laundry soap that is easy on the hands.

New merchandise of merit will get a market much more quickly in a unified factory town, provided the wage scale is sufficiently high to insure the necessary buying capacity, than in a town where workers are scattered through more diverse and smaller industries, making for less occupational intercourse and less exchange of ideas and experience.

8. *Accessibility.*—The accessibility of the people to merchandise and to merchandising influences, such as various forms of advertising, has a decided effect on the buying disposition. The density of the population and the distances between consumers and the market centers at which the merchandise in question can be obtained affect the accessibility of the consumer. Such accessibility will be found to vary ma-

terially throughout various geographic sections. This point is illustrated in the "Commercial Survey of the Southeast," prepared by the Department of Commerce:

> Experience indicates that in the Southeast it is advisable to be guided by local and individual regional peculiarities, rather than by a highly standardized and uniform national appeal. It appears that advertising for the Southeast has not infrequently been misdirected, since much of that placed before the Southern consumer is based wholly on the successful results in other areas.
>
> For example, certain advertising make-ups sent out are not suited to the Southeastern market because they contain too much reading matter and not enough pictures. Many advertisers do not recognize that around 75 per cent of the population is rural, and that the agricultural conditions peculiar to the Southeast are not comparable with those in most other areas.
>
> Advertising aimed to reach the urban and industrial centers should consider the manner of living, interests, habits and customs, occupations, and spendable incomes characteristic of each region. Weight should be given to the many intangible elements which lead to a sympathetic understanding and appreciation of the people. The mistake of many has been the lack of adaptation, influenced by preconceived notions and the overemphasis of considerations based on mere superficial and external aspects.

The problem facing the national magazine advertiser in attempting to reach the homes of this region is shown by Table 2 on page 94.

From Table 2 it will be seen that the average coverage given by this group of magazines in the Southeastern states is only a little more than half the

TABLE 2

COMBINED CIRCULATION OF SEVEN LEADING MAGAZINES IN 1925

Geographic Divisions	Native White Population (In Thousands)	Circulation	Circulation Per 1,000 Native White Population
New England	7,316	982,638	134
Middle Atlantic	21,641	2,443,556	113
South Atlantic	9,648	969,737	101
East North Central	20,938	2,837,562	135
East South Central	6,367	402,225	63
West North Central	12,225	1,676,218	137
West South Central	8,115	695,167	86
Mountain	3,212	476,506	148
Pacific	5,353	1,239,074	232
United States	94,820	11,722,683	123
Southeastern States			
Tennessee	1,885	128,954	68
North Carolina	1,783	126,146	71
Georgia	1,689	120,146	71
Alabama	1,447	92,525	64
South Carolina	818	61,213	75
Total	7,622	528,984	69

average for the entire United States, and that the circulation per 1,000 native white families varies, according to geographical divisions of the census, from a minimum of 63 in the East South Central states to a maximum of 232 on the Pacific Coast.

The table also illustrates the factor of error arising from the use of statistics from different sources and for different periods. The circulation figures are for 1925, and the population figures are for 1920. The high average circulation for the Pacific states is undoubtedly augmented by the growth of population and circulations in this region in the five years intervening between the period from which

these two respective series of figures were taken.

9. *Tenacity.*—Another characteristic of the people in different regions or communities that is clearly recognized in the experience of marketing executives, but which is somewhat more difficult to define, is tenacity. We have employed the term to indicate the degree to which people are inclined to hold their preferences and disinclined to switch their allegiance from one product to another. This might be called loyalty or stability, but, whatever it is termed, it is very distinctly present in some sections and absent in others.

Appraisal of the receptivity or responsiveness of the people in a given market, as applied to a new product or a new style, must be weighted by this consideration. Some markets are exceedingly fickle. They welcome a new product like a night club hostess welcoming a new customer, but just as quickly desert it in favor of the next new arrival. The seller of the product, if he is unfamiliar with this characteristic of his market, will glow with enthusiasm over the success of his introduction, only to suffer disappointment at the way in which the sales fail to hold up. The unfortunate selection of such a market for a test campaign will result in its proving a snare and delusion to the merchandising man who bases his future activities in other markets upon these early results.

10. *Summary.*—It should be apparent from the foregoing discussion that, in appraising the possibilities for new products, attention must be given to those

factors which have to do with buying power or buying capacity, but that, in laying plans for the introduction of such a product, it is important to select territories with careful consideration of those factors bearing upon their buying disposition. These facts may not be as readily available, or as easy to discover as the facts in the first division, but the success or failure of the introductory work may depend very largely upon the knowledge or lack of knowledge of them, and their application to the selection of territories and of sales and advertising methods.

REVIEW

Show how the responsiveness of a market is affected by the immigration of foreign-born families.

From your own experience, draw up a list of marketing characteristics peculiar to some one or two foreign-born groups, such as the Italians or Poles.

To what extent do religious customs affect the buying habits of a people? Illustrate.

Describe the effects of education and cultivation upon buying disposition.

Explain how the intermingling of people, socially or occupationally, assists in improving their buying disposition.

State the importance of studying, by different geographic sections, the accessibility of people to merchandising influences, particularly to advertising.

CHAPTER VII

DISTRIBUTION AND INFLUENCE OF INDUSTRIES

1. *Dependence of markets upon industries.*—The character of the market is largely determined by its industries; its activity is dependent upon the activity of industry; its prosperity goes hand in hand with the prosperity of industry. The people and their industries are inseparable. Neither can exist without the other. In their industries, the people find the necessary market for their labor and they, in turn, supply the ultimate market for the products of the industry. The industries of a region determine the buying capacity, the buying habits, and the buying disposition of its people. They are, therefore, determining influences with respect to the complexion of the consumer market. In addition to this, the industries are themselves consumers and present a large and important market for the products of other industries, including both raw materials and industrial equipment and supplies.

2. *Viewpoints and classifications.*—From the standpoint of marketing, business falls largely into two main divisions: (a) the producers and purveyors of goods that are used in the home, and (b) the producers and purveyors of goods that are used in other

industries. Accordingly, when considering the industries in the light of their significance as geographic characteristics, pertinent to marketing operations, we need to consider them from two points of view: (a) with respect to their influence upon the market they support, and (b) with respect to the market that they themselves present.

Industries are classified generally as extractive, conversion, distributive, and public service. Of these, the most basic division is that of the extractive industries, embracing agriculture, forest industry, mines, and fisheries.

3. *Conversion industries.*—Few of the products of the land are suitable to the wants of the people in their original or raw state. They must be refined, converted, or fabricated, and this need results in the conversion industry, or manufacturing. Sometimes the raw product must pass through several stages of conversion before it becomes a commodity of commerce. Thus, wheat from the fields goes to the mills, and flour from the mills goes to the baker, giving two stages of conversion before the loaf of bread is ready for the table. The can, with its fruit, that is opened in your kitchen may have gone through four separate stages of conversion. Ore from the mines has gone to the blast furnaces, the product of the blast furnaces has gone to the rolling mills, the sheet from the rolling mills to the can company's plant, and the finished product finally emerges from the cannery. Economies in manufacture frequently unite these

stages of conversion, as, for example, in the large canning establishments where the cans are fabricated, as well as the contents.

Industrial marketing is concerned very largely with the extractive and conversion divisions of industry and their needs. The marketing geography of the concern that is serving the industrial market is determined by the distribution of such industrial activity. The accompanying map (Figure 10), pre-

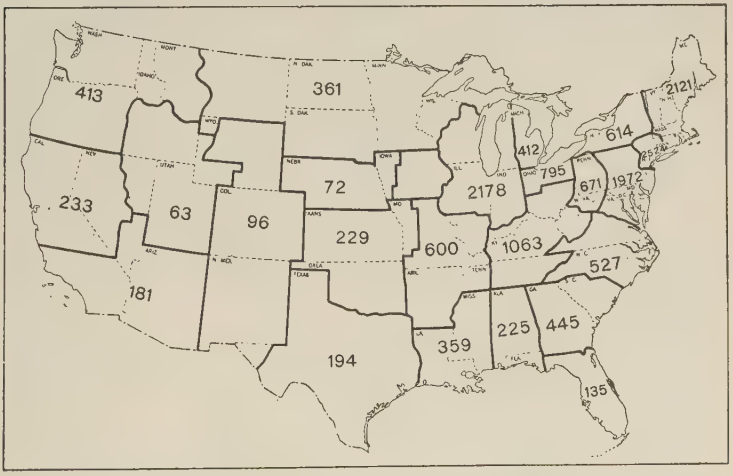


FIGURE 10—LOCATION OF INDUSTRIAL PLANTS EMPLOYING 101 OR MORE PEOPLE

pared by the Alemite Corporation, manufacturers of lubricants and lubricating equipment applicable to all kinds of industrial plants, gives an idea of the distribution of all types of industrial establishments throughout the United States. Observe that, in respect to numbers of plants employing 101 or more

people, the small territory of New England is comparable with the entire section of the United States west of the Mississippi River.

4. *Migration of industries.*—In the report of the Committee on Recent Economic Changes of the President's Conference on Unemployment, an interesting table is given to show the degree of change in the complexion of various states with respect to the amount of manufacturing activity. (Table 3.) Such changes, of course, have a pronounced effect upon the occupational status of the people and, therefore, upon the character of the market. It will be observed that the number of wage earners engaged in manufacture increased in all but seven states in the eleven years from 1914 to 1925. It is still more significant to observe the changes that have taken place in the two years from 1923 to 1925, as shown in the last column.

The Committee on Recent Economic Changes found a decided tendency for industry to select new locations. To quote from its report:

> Not only is manufacturing *in toto* becoming less concentrated in a particular section of the country, but industries are also tending to be less concentrated in certain favored spots. At once, one thinks of Fall River, Akron, Gloversville, Troy, Paterson, Detroit, and a host of other cities whose history is closely related to some one industry. While there are but few cases where the early center has actually lost the industry, in most cases its dominance has disappeared, owing to its failure to keep pace with the growth of the industry in other parts of the country.

TABLE 3

CHANGE IN PERCENTAGE OF WAGE EARNERS ENGAGED IN MANUFACTURE, AGRICULTURE, AND MINING, BY STATES

State	Per cent which total number engaged in manufacture is of total in agriculture, manufacture, and mining.	Per cent change in average number of wage earners engaged in manufacture. Figures represent percentages of 1914 and 1923, respectively.	
	1919	1914–1925	1923–1925
Maine	61.5	92.0	88.6
New Hampshire	77.6	85.1	88.5
Vermont	46.3	86.2	89.5
Massachusetts	94.0	98.0	88.7
Rhode Island	95.3	106.9	89.4
Connecticut	90.2	107.7	92.1
New York	83.1	102.4	92.8
New Jersey	90.7	115.0	95.0
Pennsylvania	68.0	109.4	91.3
Ohio	68.1	134.2	96.9
Indiana	50.8	144.8	96.5
Illinois	63.6	124.4	96.5
Michigan	64.3	192.4	102.4
Wisconsin	51.8	129.1	99.9
Minnesota	32.2	110.9	97.0
Iowa	23.8	123.1	96.6
Missouri	37.6	131.5	99.6
North Dakota	4.8	109.7	91.8
South Dakota	7.1	155.5	100.1
Nebraska	20.8	112.9	87.5
Kansas	23.5	116.8	91.1
Delaware	65.4	95.4	89.6
Maryland	63.3	90.2	97.8
District of Columbia	94.7	111.7	99.7
Virginia	31.2	115.6	100.6
West Virginia	29.0	116.4	94.2
North Carolina	27.1	139.4	140.9
South Carolina	17.1	143.1	103.4
Georgia	18.9	142.5	102.7
Florida	42.8	123.1	101.9
Kentucky	16.0	126.4	99.9
Tennessee	21.6	154.8	101.3
Alabama	18.5	156.0	106.4
Mississippi	11.5	125.1	101.6
Arkansas	12.5	110.8	98.8
Louisiana	28.3	115.1	93.2
Oklahoma	9.8	166.4	103.8
Texas	13.9	147.7	104.6

TABLE 3 (*Continued*)

	1919	1914–1925	1923–1925
Montana	17.3	110.6	92.7
Idaho	18.9	182.7	96.6
Wyoming	18.4	227.1	84.3
Colorado	27.6	120.6	102.9
New Mexico	9.7	130.4	84.8
Arizona	16.5	134.4	101.3
Utah	30.1	112.6	101.2
Nevada	21.1	73.9	79.4
Washington	58.7	160.1	95.0
Oregon	46.1	213.5	95.3
California	51.4	182.6	101.7

From Report of the Committee on Recent Economic Changes, the President's Conference on Unemployment. ("Recent Economic Changes," vol. I, McGraw-Hill Book Co., Inc., 1929.)

Although the slaughtering and meat packing industry in Chicago has more than doubled its value of products since 1899, the city fell from 35.6 per cent of the national total to 18.8 per cent during the period. Likewise, Philadelphia more than doubled the number employed in making carpets and rugs, yet fell from 45.6 per cent of the nation's total to 27.8 per cent. In a mere handful of instances has any considerable concentration come about in recent years.

5. *Movement of industry to the smaller centers.*— Many important influences are at work attracting industries from the large metropolitan centers to the smaller cities and towns. Among these are the long-distance electric power lines, such as the new high power line from New Orleans to Kansas City, which is putting new towns on the map and bringing new life into old towns. Paralleling this is the long-distance transmission of gas. Chicago is now being supplied from a distance of 400 miles. Heavy duty roads and the extended program of road building

throughout the states provide another important influence in the transition of the back woods communities, of a few years ago, into the aggressive industrial and commercial centers of today.

In 1928 the amount spent for new roads was $827,000,000, or 330 times as much money as in 1904. The effect of all of this is to emphasize the advantages of the small towns, with their improved living conditions, transportation facilities, and power supply, in contrast to the growing handicaps of the large cities, with their increasing congestion and advancing cost of doing business.

6. *The distributive phase of industry.*—When the product is ready for the market, it passes into the hands of another great division of industry, the distributive group. Economically, the function of the distributive division is to take the goods from where they are made to where they are used. Modern marketing practice has added to this original physical function the psychological responsibilities of finding or creating a demand for the merchandise. The distributive agencies of industry embrace, therefore, not only all transportation and warehousing facilities but also all sales facilities, including wholesale and retail establishments.

No division of industry is of greater importance to the business executive in its influence upon his marketing map. The character of the transportation facilities, and the kind and number of trade outlets for his merchandise, have much to do with the

planning of territories, the determination of their size and location, and the selection of his sales methods and policies.

7. *The public service division.*—The public service division of industry embraces governmental or municipal activities of every description, and the vast number of private enterprises which neither produce nor handle concrete commodities, but whose product is service to any or all of the other divisions of industry. Concrete examples of private enterprises engaged in public service are banking institutions, insurance companies and their agencies, public accountants, appraisal companies, and research laboratories.

The activity of governmental agencies—Federal, state, township, or municipal—is oftentimes of extreme importance as a characteristic of a given territory. A program of road building, for example, may add materially to the current buying capacity of a given region. The possibility of taking up the slack in employment from an industrial slump was recognized by President Hoover immediately after the collapse of the stock market in 1929, when he took the initiative in urging the immediate scheduling, so far as possible, of all contemplated government and state building projects.

8. *Influence of industries upon the consumer market.*—Among the characteristics of the industries of a given territory, which should be studied with reference to their effect upon the market, are their

employment capacity, occupational requirements, regularity and seasonality of operation, distribution of expense budgets, and degree of stability.

The employment capacity of an industry needs to be studied in relation both to the number of people that such industries support and, therefore, the proportion of the total population affected, and the wage scale, indicating the standards of living that such employees can afford.

By occupational requirements are meant the character of the employment that such industries offer or the kinds of jobs, how much diversity of employment, and what proportion of skilled labor is required.

9. *Regularity and seasonality of employment.*—Regularity of employment is vital to the prosperity of any people, and that depends in turn upon the regularity of operation of the dominant industries of any region. Where operation and employment are intermittent, there will be inevitably a smaller proportion of home owners, a greater proportion of floating population, and a greater movement of the general population. Merchants will have a greater turnover of customers and a greater problem of acquiring the trade of newcomers. Manufacturers of advertised products will find that it requires more vigilance to maintain their sales position in such territories, with probably less reward for such vigilance, than in territories where operation and employment are less fluctuating.

However, these intermittent workers constitute

markets that cannot be ignored, and, if intelligence is to be employed in cultivating them, the seasonality of industrial operations must be determined. The time for sales drives and for advertising activity on most products is when the people are working and earning money. That, however, does not have a universal application. It is said that the tobacco manufacturers, particularly of pipe tobaccos, experience increased sales in times of depression or unemployment. This is due to both economic and psychological causes. The desolation of the unemployed calls for the solace of tobacco. Men have more time and opportunity to smoke, and pipe tobacco may gain at the expense of cigars and cigarettes, because the short purse can buy more separate smokes for a dime. Business in house paint, too, frequently improves in periods of unemployment, for the reason that the worker occupies his idle days in painting the interior or exterior of his home.

10. *Distribution of the expense budget.*—Distribution of the expense budget of the industry is another factor of significance to the community in which the industry is located. If a manufacturing plant does a business of $10,000,000 a year, what proportion of that $10,000,000 will find its way into circulation in the immediately surrounding community? A partial index is given in the census figures, which tell us, for the various industries in sixteen major classifications established by the census, the amount of money that is spent in wages and the cost of ma-

terials, supplies, fuel and power, as well as the value of the finished manufactured product. As a corollary to the distribution of the expense budget of the industry, it may be equally significant to consider the distribution of the earnings or profits.

11. *Stability of the industry.*—Still another consideration is the degree of stability of the industry. Is its stability increasing or declining? Is it a coming business or a going business? To what extent is it dependent, like the rubber business, for example, on the prosperity of another major industry? Detroit yawns, and Akron goes to sleep. Pittsburgh smiles, and the shores of Lake Superior burst into laughter.

No one recognizes, better than the workers themselves, the degree to which the company that employs them is gaining or losing ground. Temporary fluctuations in business may only interest them to the extent that their working hours are affected and they may or may not be interested in the price at which the company's stock is selling, but, if the industry is lacking in basic stability, if other products have taken the place of its products, or if it is catering to a declining market, the buying disposition of a large share of the workers, regardless of their current buying capacity, will be considerably dampened. They will not buy new homes nor repair their old ones on the prospect of being out of a job or being compelled to move to another town in search of employment.

12. *The industrial market.*—Those businesses which sell the industries themselves, rather than catering to the wants of the public, are equally interested in most of the foregoing factors. Regularity and seasonality of operation have as much bearing upon the buying capacity and disposition of the plant management as upon that of its workers. So also does the degree of stability of the business. A business that sees a bright future ahead of it will make additions to its plant, and maintain higher standards than the business that lacks confidence in its future.

The industrial marketer has a much better opportunity to acquire intimate knowledge with respect to his customers and potential customers than has the manufacturer or merchant who caters to the general public, for the reason that his customers are so much fewer in number. On the other hand, he has a requirement for such intimate knowledge quite equal to his opportunity to secure it. As a matter of fact, the unusual opportunities for gathering market information in the industrial field are often missed, because of an all too general failure to put forth an intensive marketing effort.

The industrial marketer frequently must concern himself, not only with the analysis of his own immediate market, but also with an analysis of the markets for the products of his customers. Indeed, it is customary for the leaders among manufacturers of industrial equipment and supplies to project their study of markets—their characteristics and require-

ments—far beyond the limits of the plants to which they actually sell their goods. This is done, not only as a matter of service to these customers in helping them to expand their sales and, therefore, their requirements for equipment, but also because of the necessity of stimulating such demand and of acquiring a basis upon which their own sales potentialities can be safely calculated.

Few manufacturers that sell the automobile industry a major portion of their product are content to depend entirely upon what these manufacturers tell them with respect to future business prospects, as such projections may be unduly optimistic or pessimistic. The manufacturer of tires may be quite helpless, as far as expanding his sales is concerned, if the automobile manufacturers sell fewer cars. However, the progressive tire manufacturer will not throw up his hands and resign himself to fate, but will, as a rule, make as searching a study of the market for automobiles as does his customer, the automobile manufacturer.

13. *Industrial sales as business barometers.*—Many of the makers of industrial equipment or supplies have a peculiar opportunity to gauge the current of prospective business activities in different sections of the country on the basis of the sales of their own particular product. Their sales are, in a way, a barometer of the business conditions with respect to specific industries or all industries, as the case may be. The manufacturer of lubricants, for example,

whose sales are evenly distributed throughout the country, has a most accurate index of business conditions at his finger tips—an index that is much more responsive than most of the standard statistics upon which economists are accustomed to rely.

The reason for this is that industry is machinery in motion. Machinery in motion means turning wheels, and turning wheels demand oil. The lubricant manufacturer can almost tell from week to week how many of the wheels of industry have ceased to turn, or how many new machines have been put in operation. The tire and storage battery manufacturers know what is going to happen in the production of automobiles well in advance of its actual occurrence, from their own increases or decreases in sales to the manufacturer.

Even the producers of pulp wood have in their business a sensitive barometer that forecasts business decline or advancement. A large share of their product goes into box-board, which in turn goes to make up the cartons in which much merchandise is sold to the public. Production schedules of the manufacturers of packaged products are speedily passed on to the carton makers and from them to the pulpwood producers. Students of marketing should not fail to avail themselves of these barometers of business activity, wherever and whenever such information is accessible to them.

14. *Obsolescence.*—Manufacturers of machinery and equipment are particularly concerned with the

obsolescence of such equipment in the plants of their customers and prospects. This means the degree to which such equipment is actually obsolete or becoming obsolete. Improvements are constantly being made in such machinery and equipment. Sometimes the improvements are so pronounced that new machines will pay for themselves in a comparatively short time through the savings that they effect in time or labor. The equipment they replace is considered obsolete. Obsolescence may result from either reduced or impaired efficiency, or the degree to which the machinery or equipment has been worn out in service, or from improvements applying to new models.

The factor of obsolescence as a general characteristic of industrial equipment will vary materially with different territories. It obviously has a material variation in different industries according to their prosperity and the opportunity that exists to improve earnings through the use of improved methods. An industry that is in a slump will be less inclined to modernize its plants, even though that may be one of the remedies that should be employed. Sometimes it cannot be employed for lack of capital. Again, it may be considered safer to get the business that can be obtained with the plants and equipment as they exist, rather than to make further plant investments. Industrial marketers who are thoroughly familiar with their markets can readily put their fingers on sections where the manufacturers are defined as being "behind the times" as to machinery and equipment.

The industrial marketing executive will, therefore, consider the prevailing degree of obsolescence in machinery and equipment as one of the important characteristics of a territory, indicative of both the opportunities for sale and the character and amount of sales resistance to be overcome.

REVIEW

Show that the character of a market is largely determined by its industries.

Discuss the influences bringing about a migration of industries.

State some advantages of decentralization of industries.

Explain four ways in which industries weaken or strengthen consumer markets.

What is meant by saying that the prevailing degree of obsolescence of equipment is an important characteristic of a territory? What does such obsolescence indicate?

CHAPTER VIII

DISTRIBUTION AND INFLUENCE OF COMMERCIAL AGENCIES

1. *Types of commercial agencies.*—One of the first things that the marketing executive must know thoroughly, with respect to the territory that he is attempting to serve, is the commercial agencies that can be utilized for his business. An overwhelming majority of commodities are sold through intermediate trade channels. Companies selling direct to the users of their products are common in the industrial market, and there are also large companies, like the Fuller Brush Company and the Real Silk Hosiery Company, who sell consumer merchandise direct to the user.

Considering those businesses that direct their distribution and sale through established trade outlets, the commercial agencies available for their use may embrace any or all of the following: (a) brokers or selling agents; (b) public warehouses; (c) wholesalers; (d) retailers. The retailers, in turn, may be subdivided into independent dealers, chain stores, buying exchanges, and mail-order houses.

There are still other agencies that have to be reckoned with in certain fields, but their functions will

be found to correspond closely with one or more of the foregoing. In the electrical field, for instance, three divisions have been recognized, namely, electrical dealers, contractor-dealers, and contractors. The dealers sell electrical merchandise but do no contracting; the contractor-dealers sell merchandise and do contracting; the contractors do contracting only and do not profess to sell merchandise, but nevertheless provide an outlet for merchandise that is not to be overlooked.

The character and the importance of merchandising agencies will be found to vary exceedingly among different geographical divisions. Likewise, pronounced variations will be found in the manner in which two manufacturers selling the same types of commodities to the same territories will employ these elements. This is particularly true with regard to the employment of wholesalers or jobbers. One manufacturer may depend almost exclusively upon the wholesalers for his wholesale distribution and sell practically all of them. Another may depend partially upon them, but sell through only a restricted number, while the third may pass up the jobber altogether in his selling scheme.

2. *The broker.*—Brokers function as direct agents of the manufacturer, contacting with the wholesale and retail trade in the territories that they serve, and acting in almost every respect in the same capacity as would the manufacturers' own salesmen or district managers. Brokers are more strongly in-

trenched in points at a considerable distance from the manufacturing centers, such as the trading centers of the West and Southwest and the cities of the Pacific Coast. Many manufacturers who have their own sales forces working in the more concentrated territories of the East rely upon brokers to look after their interests in territories west of the Mississippi River, or on the Pacific Coast.

Brokers are frequently the main reliance of manufacturers of new products who have not had the time or the means to develop their own selling organization. They also are relied upon largely by manufacturers of products of seasonal manufacture or sale, such as canned goods and certain lines of clothing. They usually work on a fixed percentage of sale or commission, sometimes with separate allowances for special sales or advertising activity.

3. *The public warehouse.*—The public warehouse is an essential link in the chain of distribution for many manufacturers, although use of the warehouse is dependent entirely upon the requirement for "spot stocks," because of the nature of the product, or requirement of service to the trade. Many manufacturers depend solely upon their own warehouses or upon their wholesalers for the warehousing function, or upon a combination of both. Merchandise warehouses are to be found in every jobbing center in the country, and the development of an economical warehousing system calls for intelligent study of the marketing map and its requirements.

4. *Varying territorial strength of wholesalers.*— The pronounced breaking down of the strength of the wholesaler or jobber during the past decade has set up strong contrasts in the characteristics and usefulness of the wholesale trade in different territories of the country. The wholesalers have naturally maintained their strength most successfully in those regions where an extensive territory has had to be covered.

This is particularly true in the agricultural sections of the Middle West and the South. Many jobbing houses in these regions are still doing as flourishing a business, seemingly, as before the advent of the chain store and the trend toward more direct selling on the part of the manufacturer. However, they are frequently making up their losses due to these causes, through taking on other functions, and, where their status as pure wholesalers has been materially reduced, they have often centered attention upon their private brand business in staples, such as canned goods, or have gone into retailing, sometimes through the establishment of chain retail stores.

An excellent picture of the way in which geographic influences bear upon the development of jobbers' territories and, conversely, the way in which the jobbers' territories affect the marketing geography of the manufacturer, has been developed in the "Atlas of Wholesale Grocery Territories," prepared by the Domestic Commerce Division of the Department of Commerce. This is based upon an analysis

of information from both jobbers and retailers, with regard to the average extent of territory served from each of the major jobbing centers throughout the country. The compilers admit the difficulty of setting up boundaries, owing to the overlapping of territories served from competing jobbing cities.

A study of this atlas will reward anyone who is concerned with national or sectional merchandising, regardless of whether or not he is interested in the grocery business. The wholesale grocery business was well chosen for this purpose, because it probably defines the commercial reaches of the principal marketing centers better than any other branch of trade. The atlas defines 183 territories, with populations ranging from 36,000 to 9,000,000. The maps emphasize the degree to which state lines vanish in the application of commercial considerations. There are wholesale grocery territories which extend through several states, like that of Denver, Colorado, and others which are confined to a few counties, such as Mason City, Iowa, and Corsicana, Texas.

5. *Divisions of the retail trade.*—The main divisions of the retail trade are the independent stores, chain stores, buying exchanges, and mail-order houses. Despite the rapid development of the chain store, the independent merchants still provide the most important group for consideration by most concerns selling to the retail trade. The independent stores in almost any line vary greatly in character or complexion and, to some extent, in function. In the

grocery trade, for example, delicatessens become an important factor in many of the large cities, particularly in the East, while the public markets, in other large cities, account for a considerable proportion of the consumer volume. Paint manufacturers have to recognize the fact that in a large portion of the Middle West the leading drug stores are important outlets for ready-mixed paints.

The prevalence of chain stores and the extent of their competition with the independents constitute another significant territorial variable. The expansion of chain stores has been rapid and along well-organized lines. Their success has been largely due to the military precision with which their encroachment upon new territory has been engineered. In many sections, these encroachments by the chain stores have been met on the part of the retail trade by the organization of buying exchanges or "voluntary chains," in which, while pooling their buying power, the individual merchants still maintain their independent status.

The position of the mail-order house on the marketing map is by no means what it was ten or twenty years ago, when large areas in the agricultural regions were characterized as mail-order territories, or territories in which the habit of buying by mail was thoroughly established. With the increase in transportation facilities, particularly the automobile and good roads, these markets have been made more accessible to the people, and, as their inaccessibility was

one of the assets upon which the large mail-order houses built their business, this advantage is now either lost or diminished. The big mail-order houses, particularly Montgomery Ward & Company and Sears, Roebuck & Company, have met this condition by a rapid development of huge systems of chain stores.

6. *Professional and technical factors.*—In many fields, there are agencies other than the ordinary elements of the commercial structure which either form a part of it or exercise an important influence upon it. In the building field, for example, there are the architects, engineers, and speculative builders. The manufacturer of building specialties will find sections where most of the important residential building, including houses selling for $200,000 or $300,000, is done by speculative or "merchant" builders.

7. *Direct selling.*—The falling off in the effectiveness of mail-order selling, together with the success that has been enjoyed by some companies selling direct to the consumer, has given considerable impetus to the direct type of marketing. It is now so prevalent as to demand attention and consideration in any survey of the commercial activity of the country as a whole or of contrasting territories.

It is, of course, most prevalent in territories where house-to-house canvassers can reach the greatest number of favorable prospects in the course of a working day. That calls for sections that are not too widely scattered, where thrifty people predominate, and, for

most commodities, where the women do most of their own housework.

House-to-house selling is often done by merchants, or by manufacturers in coöperation with their merchants, as a means of stimulating the local sale. The manufacturer of any commodity that can be sold in this manner, whether or not he himself contemplates employing this method, should give consideration to the amount of such activity and the degree of success with which it meets in the various territories that he has to study.

8. *Installment selling.*—Installment selling masquerades under several different names, such as selling on a "budget plan," or "buying out of income." An overwhelming majority of sales of automobiles are made on the installment basis. Most purchases of furniture are on installments. Pianos, books, rugs, and clothing are bought and sold, to a very large extent, on installments. Even business equipment, such as cash registers, show cases, typewriters, and adding machines, are more commonly sold on time payments than for cash. The amount of installment buying, and the degree to which people permit themselves to be loaded up with installment purchases, are important facts for the manufacturer or merchant to ascertain with respect to his various territories or districts.

9. *The banking influence.*—One manufacturer recently conducted a survey to determine how many individuals had to be sold before the order could be

placed for a certain type of industrial equipment. A wide range of conditions was discovered, but the average of all answers was, "A man and a half and his banker." This answer became almost a slogan in the business, through the efforts of the management to educate the sales organization to extend its selling efforts to include all the various influences necessary to complete a sale. The importance of the banker as a factor in sales, particularly when dealing with the smaller type of business, gained due recognition with this concern.

As all commerce rests upon a foundation of credit, and as the regulation of credit is largely in the hands of the banker, the importance of the banker in the commercial structure will not vary greatly in different markets, although there is some variation according to the degree to which the businesses and the people are impelled or inclined to draw upon their credit capacity. The attitude and disposition of the banks and the bankers in different markets, is, however, a variable of no small significance. When you find a friendly small town with thriving, prosperous businesses, you may find a variety of causes for this condition, but one of them is certain to be friendly and progressive bankers.

When you find an ultra-conservative town, with businesses that have been under the control of the same families generation after generation, exhibiting an absence of new blood and new ideas, you are certain to find that the banks are likewise ultra-conserva-

tive and in the hands of men who desire to maintain the *status quo*. Many cities and districts with pronounced natural advantages are impeded and restricted in their growth and development through the unfriendly attitude or unprogressive influence of their banks. Whatever the attitude or influence may be—friendly or unfriendly, progressive or unprogressive, conservative or liberal—it will usually be found to permeate the entire banking structure of the community.

It is in the agricultural regions, perhaps, that banks are closest to their people. It is not an uncommon thing in the farming towns of the West to see a husky farmer in overalls, with his feet up on the desk of the president of the local bank, discussing in most earnest terms the purchase of some blooded stock, a new tractor, or an additional tract of land. It is unsafe to jump at the conclusion that the farmer is trying to borrow the money. Perhaps he already has the money in the bank, but the banker is his financial partner and consultant. Every such conference is a practical demonstration of the need of selling the banker, directly or indirectly, before the sale is closed, in territories or districts where this type of influence prevails.

10. *Transportation.*—Theoretically, the railroad map, with state lines obliterated, should provide a good start for a marketing map. The railroads give the best indication of the commercial activity and opportunity in different parts of the country. The

electric railroads or traction lines must, of course, be included, together with the waterways, which, while not as important to the commerce of the country as in its pioneer days, carry a constantly increasing volume of the tonnage of commerce. The transportation map is not complete, under present conditions, without showing the network of improved highways, over which bus and truck lines are regularly operated, and the still newer development of airways.

North Carolina furnishes an effective illustration of the specific business benefits from road improvement. Between 1919 and 1926, the state of North Carolina constructed $125,000,000 of highways, and with what economic results? The number of farms in the state was increased by 13,000 during a period when the number of farms for the country as a whole was falling off. Forty coöperative farm marketing associations were developed in North Carolina—engaged in shipping carload after carload of poultry, eggs, hogs, fruits and vegetables that the state formerly never grew for outside sale. Roadside markets and city curb markets—the immediate result of the good roads—stimulated the growing of truck produce and formed an outlet for farm surplus. With the cash thus obtained, the farm women put modern conveniences into their homes, dressed themselves and their children better, painted their houses and beautified their yards—thus creating substantial business for a variety of merchants.

The true value of North Carolina property multi-

plied eight times between 1900 and 1926, while the entire United States was increasing the true value of property by four times. Through the new roads, the state was enabled to recover its "lost provinces" —those sections of the far East and West that were formerly foreign to the state, so far as transportation connections of any kind were concerned. As a direct accompaniment and outgrowth of the new good roads, North Carolina built consolidated rural schools valued at $35,000,000. At Asheville there was a 200 per cent increase in dollar business between 1919 and 1926—the period during which the good roads were built. In the Winston-Salem trade territory, the retailers reported a 65 per cent increase in purchasing power per capita. The Greensboro Chamber of Commerce testified that the good roads widened the retail trade territory of the city to an irregular area, extending from 15 to 50 miles. The fine roads have given a simply tremendous boost to the state tourist traffic. In 1920 North Carolina itself had about 140,000 motor vehicles. Now it has not less than 485,000.[1]

The airways are literally putting new cities on the map. Clovis, New Mexico, was hardly known to Easterners until the Pennsylvania Railroad established it as a transfer point in its chain of rail and air service from the Atlantic to the Pacific Coast. Tulsa, Oklahoma, has become the greatest point of air traffic in the world. Dozens of towns on the air mail

[1] Data on North Carolina's roadbuilding program used by Dr. Klein in a recent radio address.

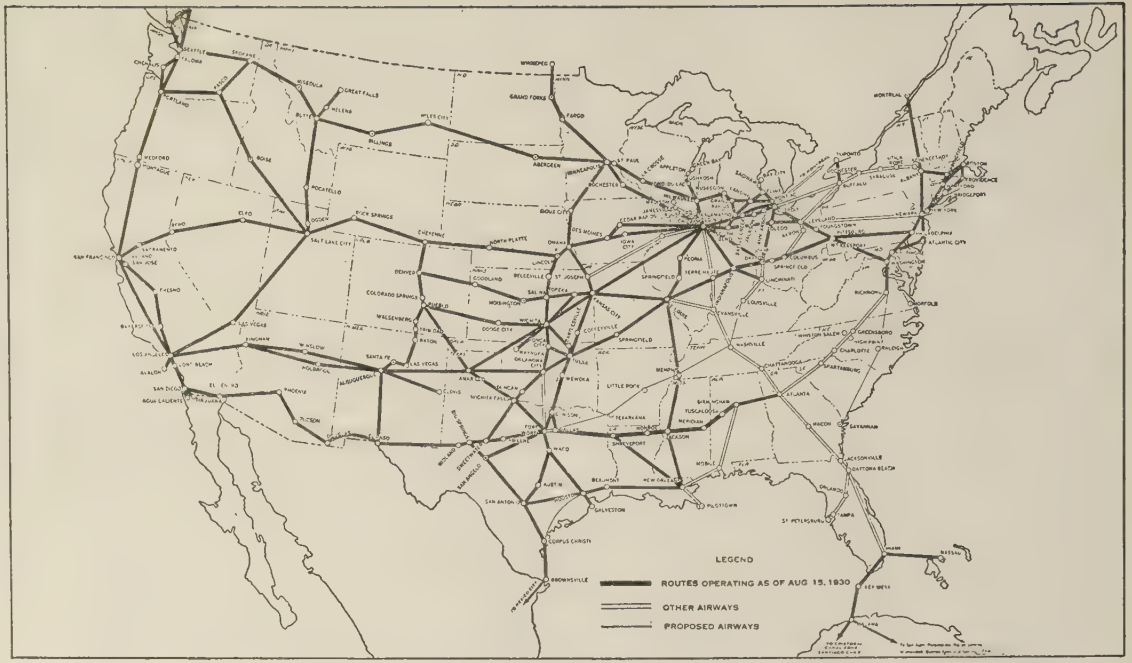


FIGURE 11—AIR TRANSPORTATION LINES IN THE UNITED STATES, AS CHARTED BY U. S. DEPT. OF COMMERCE.

routes have become air-minded and have established airports, thus acquiring a commercial significance overnight that would have been otherwise impossible.

11. *Water transportation.*—The important divisions of the water traffic may be listed as follows:

(a) Coastwise traffic between ports
(b) Traffic on the Great Lakes
(c) Traffic between the seaports and Great Lakes ports
(d) Traffic between the seaports and river points
(e) Traffic on rivers, canals, and channels

The annual domestic commerce on the waterways of the United States amounts to nearly one-half billion tons of cargo per year. It will be a surprise to many to be told that the domestic water-borne commerce exceeds the total of foreign commerce, imports and exports, by about three and one-half times, and that it is equal to approximately one-third of the freight traffic of the railroads.

E. S. Gregg and A. L. Cricher, in their report on "Great Lakes-to-Ocean Waterways" (Department of Commerce, 1927), call attention to the fact that a certain handicap has been placed upon industry in the Middle West through changes in transportation costs, due to the opening of the Panama Canal and the realignment of rates since the war. These factors have resulted in moving Chicago 336 cents away from the Pacific Coast per ton of staple goods, while moving New York 224 cents nearer. To meet this situation, the Illinois Central Railroad now offers to

carry freight from points in Indiana to New Orleans, where it is forwarded to the Pacific Coast through the Panama Canal. Rates have been so reduced by this route, that one steel producer is now shipping to the Pacific Coast by it, instead of using his own vessels on the Atlantic Coast.

12. *Coöperation with the traffic department.*—As a rule, the marketing man needs to know much more than he does about the transportation phases of his marketing geography. A business large enough to have important transportation problems usually develops a traffic department, and the traffic manager becomes the first and last resort on all questions relating to transportation. The traffic department, however, is interested only in the physical movement of the goods—how to get them to their destination in the quickest, safest, and cheapest way. It seldom has any interest in those aspects of the transportation system that have a bearing on the marketing task itself.

Freight rates and "breaking points" (points where new rates go into effect) have an important bearing upon the establishment of territories, particularly those served from established warehouses. Frequently, in the original establishment of territories, these factors will be more or less ignored, until the traffic manager, in the pursuance of his line of duty, discovers the disparities and points them out to the sales manager.

A few years ago a company on the Pacific Coast

decided to introduce a product into the territory east of the Mississippi. After careful study, particularly of the receptivity of the people and of the trade in different sections, they decided upon a Midwestern section in which to launch the campaign. The first few carloads of the product were shipped by rail. Then it was discovered that shipments for stock, for which more time could be taken, could be made much more economically by way of the Panama Canal, up the Atlantic Coast, and then several hundred miles westward from the Atlantic Coast by rail.

The goods from this Pacific Coast factory literally came into the Midwestern section from the East. If the sales manager had known his transportation facts more definitely, he would have given more consideration to the Atlantic Coast territories as possible introductory points. There are many sales managers who do not realize that it is cheaper to ship most goods from Buffalo, Pittsburgh, or Cincinnati to San Francisco by way of New York or Baltimore and the Panama Canal than by rail directly westward.

13. *Transportation and decentralization of industry.*—Marketing geography changes abruptly with the concentration or decentralization of industry. This, in turn, is very largely dependent upon the transportation facilities and their cost. When transportation facilities in the United States were crude or largely non-existent, industry was almost completely decentralized, as typified by the grist mills, saw mills,

wagon works, and blacksmith shops all over the country. As transportation systems were perfected, centralized industrial plants developed with them.

In recent years, another cycle of decentralization has developed. Many of the leading companies are not making additions to their main plants, except such as are dictated by absolute necessity. Instead, they are building branches. The Ford Motor Company expansion program does not center at Dearborn, but rather in other cities where plants exist or are being projected. The same thing applies to other large automobile manufacturers. The two large mail-order houses, instead of adding to their Chicago establishments, are building branches in strategically located cities. Tire makers are building plants on the Pacific Coast. Even the metropolitan newspapers in New York and Chicago are establishing auxiliary printing plants at outlying points instead of adding to their centralized printing facilities.

These changes are dictated partly by increasing transportation costs, and partly by the increased need for greater speed in the distribution of the finished product. The newspapers, mail-order houses, and manufacturers have found a way to simplify their final phase of distribution by shifting it to an earlier stage of the production cycle. They take on more of a burden in the distribution of plants, machinery, equipment, labor, and raw material in order to lessen the haul, and to insure prompt service in the distribution and delivery of their final product.

The *Chicago Tribune* in 1929 listed fifty industries that had removed from Chicago to Indiana points. The principal cause for this exodus was given as lack of proper shipping facilities, in spite of the fact that the Chicago switching district had more than 4,000 industrial tracks, and offered many advantages superior to those offered in any other city.

These facts emphasize an important change that is rapidly taking place in the marketing geography of America, but which is often unrecognized by the business man who is intent upon his own problems and disinclined to make changes in his own marketing machinery, except as they are forced upon him by requirements which cannot be denied.

14. *Pipe lines.*—The petroleum industry provides for itself a peculiar system of transportation, known as pipe lines. The network of pipes extends from the midcontinent and Gulf Coast region all the way through a more easterly field to the refineries on the Atlantic Coast. Pumping stations tap the storage tanks near the oil wells and force the oil through these pipes to the refineries at much lower cost than would be incurred through transportation by rail. This system of transportation has been adopted by the large producers of gas and gasoline, with the result that the network of steel arteries under the surface of the United States has become very extensive. There is a possibility that pipe-line transportation may become one of the most important factors in American industry.

15. *Communication facilities.*—Transportation is in itself communication of the most direct kind, but commerce is dependent, also, upon such communication facilities as the telephone and telegraph, newspapers, the radio, theaters, churches, clubs, etc. The growth of these facilities has been such as to suggest that they are so widespread and so evenly distributed as to present no contrast between geographic areas. An examination of the nine standard divisions of the United States established by the census, however, shows a variation in the number of telephones per thousand of population from 245 on the Pacific Coast to 69 in the East South Central states. The number of telephones that any area has in proportion to its population is a significant index of buying capacity.

A compilation of telephone facilities is included in the "Market Data Handbook," these figures being provided by *The Literary Digest,* which has made an exhaustive compilation of telephone homes, using this as a basis for its direct mail selling of magazine subscriptions and books.

16. *The newspapers.*—The newspapers play an important part in determining the characteristics of markets. In the first place, they are themselves indices of the character of the community they serve. The discriminating study of the character of the newspapers serving a community affords an excellent clue to the character of the community itself. The amount and kind of advertising carried by the local merchants in the newspapers indicates not only the

degree of their aggressiveness, but the extent to which price and quality appeals are employed in attracting trade, the amount of installment selling, and the general character of the merchandise. A survey of the want ad pages yields a fair picture of the current employment situation, what kind of people are out of work, what kind of employment is offered, and the approximate wage scale. An automobile man can very quickly tell how aggressively the dealers of the community are going after business and the condition of the used-car market.

Many of the more progressive newspapers have made painstaking studies of the cities and trading areas which they serve. These are cheerfully furnished to actual and prospective advertisers. Such studies vary in their usefulness to the marketing student, depending upon whether they are obviously planned only to boost the stock of the newspaper at the expense of its competitors, or are genuine and conscientious presentations of the facts that the manufacturer needs in order to cultivate the market more intelligently. The audits made by the Audit Bureau of Circulations, which is supported alike by publishers and advertisers, are reliable, but have to do more with the character and distribution of the circulation than with the characteristics of the community.

Unfortunately, much of the effort of the newspapers toward acquainting advertisers with the marketing geography of their territories is misdirected because of competitive motives, with the result that

the student is left more at a loss, after reviewing the conflicting claims, than he would be without them at all. The true trading radius of a certain large city has been for years a matter of dispute between a morning paper, having a circulation extending over a wide surrounding area, and an evening paper whose circulation is largely concentrated within the city and its immediate environs. The claims are so much at variance that the student of this territory cannot rely on either newspaper for assistance in determining the size of the market.

17. *The radio.*—The radio is a comparative newcomer in the field of communication facilities, but its development has been so rapid that it is already a commercial factor of pronounced significance. To the radio advertiser, or the manufacturer who is in competition with radio advertisers, the degree to which various territories are supplied with radio sets and the extent to which these radio homes are accessible to the various broadcasting stations and chains are important factors of his marketing geography. At the time this text is written, however, only fragmentary information with regard to radio circulation has been developed.

18. *The movie and the talkie.*—In reviewing communication facilities, the motion picture and its more recent successor, the talking picture, must not be overlooked. Probably no inventions have done more to soften the contrasts between different sections of the country, particularly between the urban and rural

divisions, with respect to living habits, interests, and tastes. In the motion picture, an isolated community sees all the rest of the world, and the news in pictures comes almost as regularly and promptly as the dispatches in the newspapers. The talking picture, however regarded aesthetically, has unquestionably multiplied the effectiveness of this agency of communication. In its economic influence, the motion picture has become of outstanding importance. This institution has become so thoroughly implanted in American life, however, that the contrasts between its influence in different territories are not notable.

REVIEW

Explain how the commercial facilities of a territory may be thought of as one of its geographic characteristics.

Discuss the functions of public warehouses.

In what parts of the United States are wholesalers most active? Explain why these sections lead.

List the principal divisions of retail trade.

Discuss the marketing man's need for traffic knowledge.

Show the marketing significance of the telephone facilities of a territory; of newspapers and radio sets.

CHAPTER IX

TRADING CENTERS AND TRADING AREAS

1. *The consumer goes to market.*—Between the point of production and the point of consumption, there is a meeting place that is the point of sale. Neither the producer nor the consumer commonly travels all the way to the other's doorstep. The day has long since passed, when the farmer drove to the grist mill for his flour, or when the cobbler delivered his shoes in person to his customer and collected for them on the spot. Only in rare cases, as typified by the direct selling manufacturers and the mail-order houses, does the seller bring the point of purchase into the very home of the consumer. The consumer, as a rule, still "goes to market," and all studies of trading centers and trading areas, no matter how elaborate or complicated, revolve around this simple fact, with the questions which it entails: How does she go? How far does she go? and, Where does she go? The marketing man has a tryst to keep with his consumer. She is the one who has set the meeting place and there, and there only, will the tryst be kept.

The process of going to market has been revolutionized by modern methods of communication and transportation, but the actual ground that the con-

sumer will travel to effect the sale may range all the way from the few steps that it takes to reach the telephone and place an order for a dozen cans of soup to a journey of several hundred miles to select the furnishings for a new home. If other factors are of equal weight, the purchaser will buy at the nearest point at which the merchandise is available. But the other factors rarely are equivalent in weight. Any one of a number of considerations may induce the consumer to make a considerably longer trip to market than would be necessary to reach the nearest point where the merchandise is accessible. These considerations include lower price, higher quality, better service, greater opportunity for selection, the prestige of the merchant, and credit accommodations.

A woman living in the city may buy her staple food supplies from her neighborhood grocer, but travel several miles to a market house to buy fresh vegetables. She will frequently buy her household necessities and supplies from the neighborhood merchant, but, when it comes to wearing apparel and furnishings, in which the element of style is more of a factor, she will visit the downtown stores where a greater opportunity for selection is afforded. Broadly speaking, the larger the unit of purchase or the amount of money involved and the greater the element of style inherent in the merchandise, the farther the consumer will travel in order to buy it.

It must be apparent, then, that the significance of the trading center and its influence upon the sur-

rounding territory will vary with different manufacturers according to the kind of merchandise they sell, with particular consideration of the price and the style factors. The danger of attempting to generalize or to set down formulas for determining the significance of trading centers or the extent of their tributary areas becomes apparent, and one realizes the difficulties that have beset the pioneers who have labored with these problems.

2. *Types of trading centers.*—There are various kinds of trading centers. For the most part they are cities, small towns, and villages, but there are also the separate trading centers or shopping districts that present themselves within the environs of a single city. The large metropolitan areas, such as New York, Boston and Philadelphia, are commonly referred to by the compilers of marketing data as "multiple trading centers." A city of 20,000 inhabitants may be essentially as much of a multiple trading center as a metropolitan district, although it presents only two or three trading or shopping districts instead of several hundred.

The manufacturer dealing through the wholesale trade will have his wholesale or jobbing centers, which he may divide into those of primary and secondary significance or importance. The significance of a place as a wholesale center may be out of all proportion to its population or to its significance as a retail trading center. Lorain, Ohio, with its 42,000 population, is a more important retail market to

many manufacturers than Salina, Kansas, with its population of 15,000, but, because of the latter's location and relation to transportation, it is a jobbing center of primary significance to many manufacturers who cover that territory.

3. *How leading cities change in size.*—When trading centers are appraised in relation to their trading or shopping areas, or the population that they serve, rather than according to the census population of the political unit, important changes are found in their relative significance or market ranking. This is illustrated by Professor Cherington in his "Retail Shopping Areas" (J. Walter Thompson Company), wherein he contrasts the ten leading cities of the United States arranged in order, first, according to the census population of 1925 and, second, according to the population of the retail shopping areas. The contrasts are shown in Table 4:

TABLE 4

Comparative Ranking of Ten Leading Cities

City	Population (1925)	City	Area Population (1925)
New York	5,873,356	New York	7,770,083
Chicago	2,995,239	Chicago	3,914,225
Philadelphia	1,973,364	Philadelphia	3,206,639
Detroit	1,245,707	Boston	3,081,445
Cleveland	936,485	Pittsburgh	2,403,975
Los Angeles	925,143	Detroit	1,780,642
St. Louis	821,543	Los Angeles	1,462,362
Baltimore	796,296	Cleveland	1,419,496
Boston	779,620	St. Louis	1,280,106
Pittsburgh	631,563	Baltimore	1,102,035

Observe that only the first three cities, New York, Chicago and Philadelphia, maintain their original ranking, and that Pittsburgh, because of the peculiarities previously commented upon, becomes the fifth ranking city when these centers are grouped on the shopping area basis.

4. *Establishing "principal" centers.*—The selection of the cities throughout the United States that may be considered as principal trading centers is not an easy task. The dividing line between those that will be considered as principal and those that are treated as subordinate, or tributary, must be arbitrarily drawn in many cases. A study from one point of view may result in establishing 200 or fewer principal trading centers throughout the country, while another, undertaken from a different point of view, may establish three or four times that number. The International Magazine Company, in its "Merchandising Atlas of the United States," presents the results of a study of principal trading centers that it has been pursuing since 1920. In this analysis it establishes 640 places under that classification, grouped as shown in Table 5, page 140.

It will be seen that all of the cities of 500,000 or more population qualify as "principal trading centers" under the International Magazine Company's definition. So do most of those from 100,000 to 500,000. With places of 25,000 to 100,000, however, fewer than three-quarters are principal trading centers; fewer than half of the places of 10,000 to 25,000

are so regarded, and only 173 of the 2,160 places of 2,500 to 10,000 population.

TABLE 5

PRINCIPAL TRADING CENTERS IN THE UNITED STATES

CITIES BY POPULATION GROUPS (1920 Census)	TOTAL UNITED STATES		PRINCIPAL TRADING CENTERS	
	No. of Places	Literate Native White Families	No. of Places	Literate Native White Families
500,000 and over	14	3,209,082	14	3,446,563
100,000 to 500,000	64	2,155,273	57	1,907,132
25,000 to 100,000	244	1,954,186	172	1,471,431
10,000 to 25,000	462	1,265,535	224	676,959
2,500 to 10,000	2,160	2,015,595	173	227,354
Total Urban	2,944	10,599,671	640	7,729,439

The compilers list as among the factors carefully studied and analyzed to arrive at their determination of these centers, the following:

(a) Geographic and topographic conditions of the country
(b) Climatic conditions
(c) Natural resources, areas, and places of origin of raw materials within the United States
(d) Transportation systems, including waterways
(e) Freight terminals, transfer points, trackage facilities, rates, etc.
(f) Public warehouse conditions and the location of warehouses
(g) Banking facilities and the location of banks
(h) Manufacturing establishments: their character and locations
(i) Location and number of distributing outlets, wholesale and retail
(j) Distribution of gas

(k) Distribution of electricity
(l) Population: its classification and distribution
(m) Distribution of dwellings: their character and construction
(n) Buying habits, customers, and buying tendencies in various sections and localities
(o) Estimated volume of business in various sections and localities

The results of this analysis are very clearly portrayed in an excellent series of state maps, of which the map of Massachusetts on page 143 is an example (Figure 12). The map shows fourteen of the recognized principal trading centers within the boundaries of Massachusetts, including the multiple trading center of Boston. It illustrates the way in which such markets as Worcester and Springfield reach across the boundary line into Connecticut to attract patronage, and equally the way in which Providence, Pawtucket, and Woonsocket, R. I. exercise an important marketing influence in Massachusetts territory.

The map fails to show the degree to which most of these principal trading centers outside of Boston are, in turn, tributary to Boston, as any attempt to illustrate this readily recognizable fact complicates the picture and impairs the usefulness of the map. Boston, here, is the center of the solar system, shedding its rays of influence with respect to both wholesale and retail trade over the entire area in a greater or less degree. The other places designated as principal trading centers are, in a sense, planets held more or

less within the influence of Boston, but maintaining their own independent status in most commercial respects and having their own satellites.

Unfortunately, the descriptive text applying to each of the markets included in "The One Hundred Thousand Group" does not follow any uniform arrangement or established outline. It is also to be recognized that the areas shown on the excellent maps contained in this volume do not follow any established or accepted standard, and are sometimes apparently influenced with respect to the amount of territory that they embrace by the conception of the trading area held by the newspaper publishers sponsoring the book, and serving the specific area in question.

On the other hand, this and similar compilations issued by newspapers present a valuable breakdown of newspaper circulation that has come to be recognized as one of the best indexes of a trading area, or of the marketing influence of a trading center. Only a little reflection is necessary to see why this is true. As previously remarked, the trading radius of a market center will vary greatly with different kinds of merchandise. If there is such a thing as an average, it is very likely to be found in the circulations of the newspapers of the center, for it is safe to assume that those people in the surrounding area who take the newspapers do so because of their close contact with and interest in that center, and that such interests and contacts are maintained through the reading of the papers. Newspaper circulations provide the main

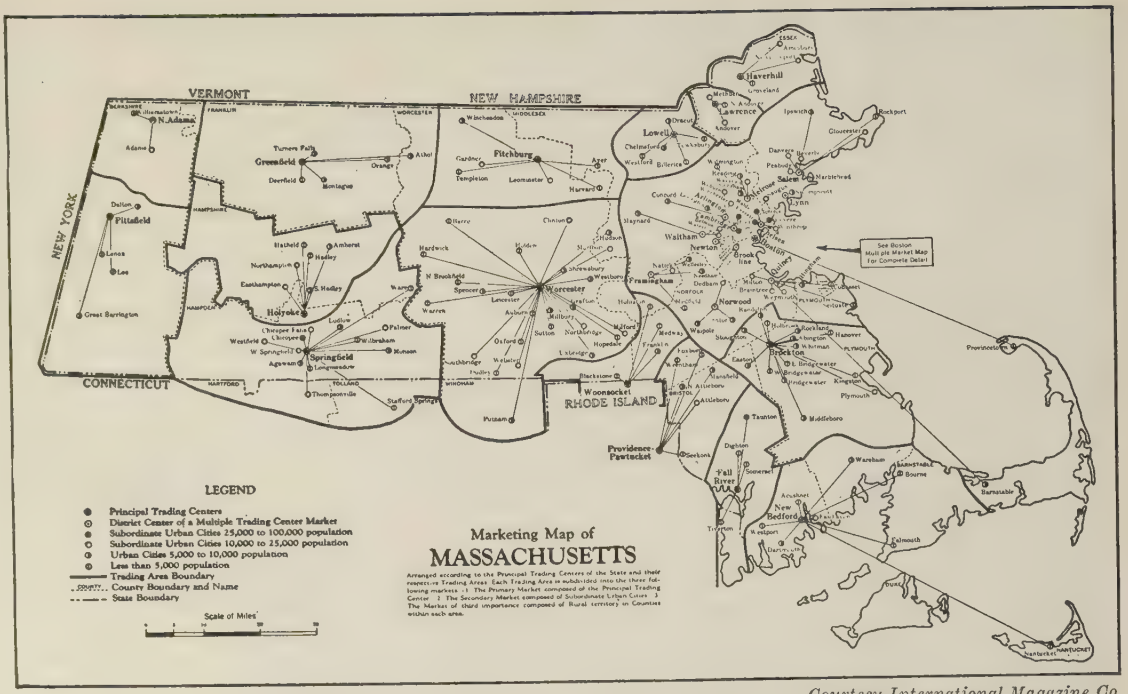


FIGURE 12—TRADING AREAS AND CENTERS OF MASSACHUSETTS

basis for one of the compilations of trading areas discussed later on in this chapter.

5. *Trading areas.*—The trading, market, or shopping area, as it is variously designated, is the region surrounding the trading center, which is considered as being commercially dominated by it. The degree of that domination, as has been pointed out, will vary materially with the consideration of different kinds of merchandise. Indeed, the degree to which the people in the surrounding area patronize the trading center for certain kinds of products is of comparatively little importance to any manufacturer whose product does not happen to be of the kind that is being shopped for.

His determination of trading areas and his use of them may be governed, rather, by such considerations as the circulations of the newspapers in which he advertises, the requirements of his sales work, or the very practical requirement of establishing arbitrary zones of more compact size than states for the analysis of the advertising expenditure, sales effort, and sales results. If a manufacturer has no other reason for breaking his territory into trading areas, he still has the very practical reason that the state divisions are too large, and their boundaries too imperfectly drawn, whereas counties, as a rule, are too small and need to be combined into logical groupings.

6. *The widening of trading areas.*—Melvin T. Copeland, in the report of the Committee on Recent Economic Changes, says that "the major change in

buying habits has resulted in a widening of retail trading areas, particularly in rural sections of the United States. The change, like most of the other business developments noted, had begun prior to 1920, but its progress was markedly accelerated after that date."

The Harvard Bureau of Business Research in 1925 made a survey of the distribution of textiles, in which it found that trade in dry goods was drifting away from general stores in small towns and villages to county seats in medium-sized cities. A similar conclusion was reached by Professor Horace Secrist in the same year, as a result of a study of practices in buying clothing and furnishings on the part of 2,413 students in 26 universities. *The Kansas Farmer* made an inquiry among merchants in cities of from 10,000 to 40,000 population in Kansas, Nebraska, Missouri, and Oklahoma, finding that these merchants were increasing their sales to out-of-town customers.

The effect of this shift in trading areas is pointed out as having a bearing on the sales plans of some manufacturers and the merchandise plans of others: "Several manufacturers of shoes, for instance, who sell their product directly to retailers, have changed their salesmen's territories so that the salesmen call in fewer towns than they did ten years ago. It appears that the saving in traveling expense, however, has been offset, in most instances at least, by having the salesmen call more frequently in the towns and cities which remain on their lists."

7. *Four groupings of trading areas.*—Of the efforts that have been made to outline trading areas for the entire United States, four have been carefully studied by the compilers of the "Market Data Handbook," and maps illustrating them have been issued by the Domestic Commerce Division as a supplement to the "Handbook." These are the wholesale grocery territories, as analyzed by the Domestic Commerce Division itself; the trade areas established by Batten, Barton, Durstine & Osborn, Inc.; a study made by the J. Walter Thompson Company; and the one made by the International Magazine Company. Striking contrasts occur among the maps, both as to the number of areas presented and the boundaries suggested. There is a close correspondence in the number of areas delimited by the Department of Commerce and by Batten, Barton, Durstine & Osborn, the former outlining 183 territories and the latter, 187. There is also a parallel between the studies of the J. Walter Thompson Company and of the International Magazine Company, so far as number of areas is concerned, the numbers being respectively 683 and 632.

8. *The wholesale grocery territories.*—The Domestic Commerce Division's charting of wholesale grocery territories resulted in mapping 183 areas as the trading territory tributary to the major wholesale grocery distributing centers. In 1925, when the study was undertaken, there were 6,356 wholesale grocers located in 2,303 cities, according to the

Thomas "Register of Wholesale Grocers." It was impracticable to define a territory for each of these cities, yet none is so small that it may be overlooked by the manufacturer seeking intensive coverage.

Of the total number of wholesalers listed, 3,078 were classified as operating a strictly wholesale grocery business, designated in the Thomas Register as class A grocers. Questionnaires were sent to this group, and replies were received from more than one-third. Each wholesaler reported the number of salesmen in the city of location and outside, the total territory covered, number of accounts in each county, principal methods of shipment, number of delivery trucks, and the zone of truck delivery.

The actual delineation of trade areas followed very closely the information supplied by the questionnaires. In most instances, a study of the data on number of accounts per county as compared with railway facilities presented a clear demarcation of territories, since freight rates represent the controlling factor in the distribution of nationally advertised goods. The questionnaires indicated that there were three trading zones in which each wholesaler operated; the smallest area was the one that he reached more economically with the nationally advertised merchandise than wholesalers elsewhere. It is this zone that is shown, and, in delimiting it, consideration was given not only to the questionnaire data but to the relative size of the wholesalers and to transportation facilities.

If a study of railway location did not reveal a clear demarcation, freight-rate tables on canned goods were prepared, and the subsequent territorial outlines followed as nearly as possible the lines of freight-rates equalization, read in the light of the relative size of the houses. In the more densely populated sections, where centers were grouped more closely, consideration was given to store-door delivery by truck. In the Eastern states, the wholesalers' trucks frequently cover the entire territory, while, in the Western areas, commercial truck lines extending considerable distances are outlined. In the territories more difficult to outline, retailers assisted in defining the boundaries.

9. *A grouping of 187.*—The trade areas worked out by T. O. Grisell, of Batten, Barton, Durstine & Osborn, Inc., number only a few more than those of the wholesale grocery territories, or a total of 187. In an effort to obtain flexibility of distribution effort, to control costs, and to eliminate waste in distribution, this company, in 1923, decided to segregate counties into groups that would fit the various distribution efforts that are usually employed. Newspaper circulation was taken as the basis for defining the areas, and analysis showed that there were 745 areas that could be delineated. The areas contained one or more counties, each of which received more than half of its daily newspaper circulation from one of the 745 points of publication.

During the succeeding five years, these 745 areas were worked into larger areas in order to lessen the

cost of sales accounting and to conform to trade conditions. The effort has been to draw a boundary around the activities of local jobbers, retailers, and chains, out of a given warehouse point, rather than to define the limits of each one's influence.

10. *Cherington's arrangement.*—For "Retail Shopping Areas," as developed by the J. Walter Thompson Company under the direction of Paul T. Cherington, all department stores listed in one or more of three leading directories were located. Ratings were obtained for each in two rating books. The existence of three department stores, with a rating of $200,000 each or over, was the basis for establishing retail shopping centers. In a few instances, an isolated town with less than this full complement was established as a center and given a tributary territory. In other cases, towns with a full complement, but commercially eclipsed by a more important center near by, were classed as subcenters, having their figures separately shown but not being assigned a definite tributary territory.

To each shopping center thus determined was assigned the territory (usually entire counties and multiples thereof) more accessible to this center than to any other. In this way 683 retail shopping areas were grouped about as many centers, and within these were included 642 subcenters without assigned areas.

A few western cities were assigned more remote outlying territories beyond their immediate shopping area, which may be designated as outfitting areas.

These usually are sparsely settled areas whose large purchases customarily are made in important outfitting centers. Los Angeles, San Francisco, Salt Lake City, Spokane, Denver, El Paso, Omaha, Sioux City, and Oklahoma City are illustrations.

11. *International Magazine Company's groupings.* —The "Consumer Trading Areas," developed by the International Magazine Company, Inc., through the efforts of F. K. Anderson and L. J. McCarthy, are slightly fewer in number than those worked out by Professor Cherington.

The principal trading centers were selected by a study of population, geographical characteristics, sources of wealth, transportation, and trade outlets. About each of these central points, boundaries were defined by a study of those factors which influence the trend of buying habit. From time to time, local changes in the above factors have resulted in a realignment of those trading areas to reflect current trends.

The work of this company has emphasized the community as a buying unit and, following this policy, the original map contains data which segregate places of primary importance and those of secondary importance.

It should be remembered, in making use of any of the various attempts to block out trading areas, that such areas are bound to overlap to a large extent. They cannot be clear cut. Rather, they will vary with the differing commodities that are being marketed.

REVIEW

Explain primary, secondary, and multiple trading centers.

List the factors that seem to be most frequently used in determining principal trading centers.

Discuss the value of newspaper studies of trading areas. Why is newspaper circulation accepted as one of the best indexes of marketing influence?

Name the conditions responsible for the widening of trading areas during recent years, particularly in the rural districts.

Four efforts to outline trading areas for the entire United States have been described in this chapter. Compare the four with respect to the methods employed and the results achieved.

CHAPTER X

AMERICAN MARKETS: THE EAST

1. *The United States as a whole.*—It is not by accident, nor because of the peculiar characteristics of its people, that the United States is today one of the chief commercial powers of the world. The contour of the land, its climate, its soils and natural resources, its natural boundaries and barriers, and its relationship to other lands have all been primary factors in establishing its potentialities and contributing to its progress. The United States was fortunate in presenting a peculiarly happy combination of all of these characteristics. Geographers tell us that North America, and particularly that part occupied by the United States, compares more favorably with Europe in all these respects than does any other continent. The development of the United States in the past four centuries was not so much the result of the discovery of a "new world" as it was the discovery of a "new Europe."

Here we have the range of climates that has been found most conducive to the development of mental and physical energy, providing changing seasons, but without too great extremes of heat or cold. We have vast reaches of "submerged" coast line, with

abundant harbors to accommodate and encourage ocean-borne commerce. In this respect Europe has a decided advantage, but this is partly offset by the American Great Lakes, with their constantly increasing commercial importance, and the Mississippi River. There are no great areas subject to the enervating influence upon the people of the tropical climate, yet there are sufficiently large subtropical areas to supply the nation with those products that can only be produced in such regions, and with winter playgrounds. America has its deserts, but not only are they less in extent than the desert regions of Asia, Australia, or Africa, but, owing to their location midway between two thriving coasts, they have been spanned, of necessity, by railroads, highways, and airways. This circumstance has stimulated the development of their natural resources and, in many places, the conquering of the desert through irrigation projects.

Added to all these advantages, and many others, is perhaps the most important of all, the intermingling of peoples and the breaking down, through the influence of a common government and common interests, of nationality and religious lines. In the United States the legend of the Tower of Babel has been reversed. Confusion of tongues has been merged into a common language.

2. *Dividing the United States into sections.*—To study the United States sectionally, it is necessary to set up a number of arbitrary divisions, and we are

at once confronted by the same problems that a sales manager faces when he attempts to establish sales territories. We cannot delimit any section, even though it consists of a small group of states, without having it present within itself a wide range of conflicting characteristics. We must, therefore, fix upon an arbitrary number of divisions and make more or less arbitrary groupings of states. While we have repeatedly emphasized in these pages the necessity of breaking away from state lines in establishing sales territories or market divisions, we shall follow state lines in this arrangement as a matter of convenience and because of their familiarity to the reader.

The ten divisions which we shall establish for this purpose are shown by the accompanying maps (Figures 13–22). They follow loosely the divisions of the United States Census, with a number of important modifications. To the Middle Atlantic states of the census (New York, Pennsylvania, and New Jersey) we add the states of Delaware and Maryland in the conviction that, commercially, they have much more in common with this group than with the South Atlantic group. For the same reason we add West Virginia to the Central group.

The Mountain states of the census groupings, while a distinct and logical geographic grouping, cover too much territory—from the extreme northern to the extreme southern boundaries—to be a logical commercial division. We have also split apart the census grouping of the three Pacific Coast states,

placing Oregon and Washington in one grouping, and California with its adjoining states in another. We adopt as designations the terms commonly applied in marketing. The territories to the west of the Mississippi, while geographically in the center of the continent, are "the West" in the vernacular of the marketing man, and divide up into the Northwest, the Middle West, and the Southwest.

3. *New England.*—Rugged coasts; rugged hills; rugged people. Heritage of hardy pioneers, hardy fishermen, lumbermen and sailors of the seven seas, intermingled now with swarthy strangers from foreign immigration. Picturesque countryside. Quiet, peaceful New England villages of white houses with stone fences. Squalid mill towns, struggling to exist. Cradle of liberty. Seats of American culture and education—Yale, Harvard, Dartmouth, Brown, Bowdoin. America sends its sons to New England to get an education in order to make a living—elsewhere! Abandoned farms; magnificent estates. None of the ten sections offers a more interesting nor a more peculiar composite.

Because of the mountainous or hilly character of a large part of the area—the Green Mountains of Vermont, the White Mountains of New Hampshire, and the Berkshires of western Massachusetts—there are large regions that are wild and unsettled even in close proximity to populous centers. This has preserved New England as an ideal vacation land, and is responsible for one of New England's most

FIGURE 13—THE NEW ENGLAND STATES, WITH PRINCIPAL TRADING CENTERS

profitable crops, summer tourists and summer residents—a very important crop to the marketing man who has personal necessities and luxuries to sell, as the population in summer is considerably augmented and money is then spent more freely.

Agriculturally, much of New England is impoverished. A great part of the land, because of hilliness and rocky nature, never did offer the farmer much encouragement except for grazing purposes. Much of that which has at some time been improved has been "worn out" through unscientific farming. Forests are still abundant and, in the northern parts, lumbering continues to be an active industry, declining rapidly, however. In eight years the lumber production of the three northern states fell off by one-half.

The irregular coast line provides harbors for all of the New England states except Vermont. Boston is the third in importance on the Atlantic Coast. The accessibility of most of New England through these harbors results in a heavy coastwise traffic and often permits the shipper of merchandise to profit from low water rates.

Water power is abundant. Many of the chief cities owe their original location and the development of their industries to water power sites. There is little mineral wealth. Such as there is consists mainly of stone, clay products, sand, and gravel. Nevertheless, the most important marble and granite quarries of the country are located in central Vermont.

Natural barriers are pronounced and give New England a certain correspondence with the land from which it took its name. The principal cities are gateways only to limited interior areas. Hedged off on the north and northwest by the mountains, Lake Champlain and the Hudson River, New England resembles, commercially at least, a great island. This has resulted in the maritime pursuits of so many of its people.

4. *The climate of New England.*—In general, New England experiences long, cold winters and short summers, a climate conducive to physical and mental energy. There is, however, a wide range between the climatic conditions of the interior and northernmost points and those on the coast. In January, the average temperature in Boston is only three or four degrees below freezing (27.9). In Northfield, Vermont, the average is 15 degrees, and the mercury has been known to go as low as 41 below zero. Northfield has just twice the snowfall in an average winter as Boston, 29 more stormy days in a year, and only two-thirds as many clear days.

5. *The industries of New England.*—New England is distinctly and outstandingly a manufacturing section. Indeed, the New Englander, by and large, is a much better manufacturer than he is a merchant. He is much better at making things than he is at selling them after they are made. He is shrewd, to the point that "Yankee shrewdness" has become a by-word with more or less justification, but with his

shrewdness he is exceedingly conservative and slow to expand. Many advertising men have met their Waterloo in attempting to sell New England manufacturers a program of commercial expansion. It is significant that many of those New England enterprises that have expanded, particularly in recent years, have done so under the guidance of men who had their commercial and industrial training in other sections of the country.

Industrially, New England, more than any other section of the United States, has suffered a serious decline. This has been due largely to a combination of three factors, all of which are quite distinctly the result of geographic influences. The first of these has been touched upon, namely, the conservatism of the industrial leaders.

Another factor arises from the fact that many New England industries, of which the cotton mills and the shoe industry are notable examples, owe their location in New England to the accident of birth or to economic influences which, with the development of the rest of the country and the movement of the center of population westward, no longer exist. A corollary to this is that logical centers for such industries, with production and distribution advantages so pronounced that they could not be denied, have developed elsewhere. This combination of circumstances has resulted in a migration of industry from New England to other parts, with a much more serious effect upon the business and the pros-

perity of this region than the trek of the farmers in an earlier period from its stubborn and ungenerous hills and mountainsides to the fertile and prosperous prairies of the Middle West.

The story of how the cotton mill, long considered as permanent a New England institution as Bunker Hill or the Boston Harbor, packed up and took itself South is typical of New England industrial misfortunes. The geographical location of the market for cotton goods shifted and the intensity of competition increased. The mountain and Mohammed—the crop and the mill—had to get closer together. Obviously, the Southern grower could not move to New England for lack of crop and climate, hence the manufacturer moved to the South. Mohammed went to the mountain. The result was a constantly increasing number of idle spindles in New England mills. New England still is, and probably will be, for generations, an important cotton manufacturing center. While the bulk of cotton spinning is moving South, the New England mills still handle most of the imported cotton fiber, which produces finer yarns and fabrics.

In the same way, much of the manufacturing of shoes has moved westward to get in closer proximity to the centers of both supply and demand. New England's chief ascendency in manufacturing today is doubtless in machinery and tools. Craftsmanship does not migrate nearly so easily as do mills and machines. The silversmiths stay in New England

and the silverware industry remains centered there.

The importance of fisheries to the industry of the New England states may be conceived from the fact that in 1928 nearly 140,000 tons of fish were landed at the three ports of Boston, Gloucester, and Portland. The volume of the products of the New England fisheries is greater than that of any of the other sections of the United States which we are considering. This industry thrives upon the great "banks" which lie off the coasts of New England, Nova Scotia, and Newfoundland, consisting of shallows which provide natural feeding grounds for the fish. Cod, haddock, and mackerel are the most important varieties taken from these "banks."

Though the agriculture of New England becomes quite unimportant as contrasted with other regions of the country, this section still has its important crops, among which are the potatoes of Maine and the tobacco of Connecticut. Connecticut and parts of Massachusetts produce what is known as "wrapper tobacco," a very fine species of leaf grown largely under artificial shade. The traveler through this section will see many acres of tobacco field, completely covered with muslin, and rambling buildings in which the leaves are "cured" after being harvested. Fruit growing is active in many parts of New England, particularly in the southern tier of states. Cranberries are an important product in Cape Cod.

6. *The people of New England.*—The predominant characteristic of the people of New England is

conservatism. The typical New Englander is "sot in his ways." He does not take readily nor enthusiastically to new ideas. While the mill towns and cities have attracted a great influx of foreigners, largely of the lower laboring classes, the dominant strain of New England is still that of the pioneer families. Boston, on the other hand, vies with New York in its proportions of foreign-born and foreign-language-speaking inhabitants.

New England is by no means keeping pace with the rest of the United States in growth of population. Of its six states, only Connecticut showed in the 1930 census a rate of growth equal to the rest of the country. Maine gained only four per cent between 1920 and 1930 as against 16 per cent throughout the country, New Hampshire only five per cent, Vermont only two per cent. Massachusetts went ahead 10 per cent and Rhode Island 14.

Not so many people own their homes in New England as in most of the other sections of the country. There is about twice the proportion of home owners in Maine and Vermont as there is in Rhode Island and Massachusetts. Rhode Island, according to the census, has the second lowest proportion of home owners in the United States.

New England has the highest proportion of urban population (people living in places of 2,500 inhabitants or more) of any section of the country, and these proportions are much higher in the states of Massachusetts and Rhode Island than in any other

states in the country. In these two states the proportion of urban residents exceeds 90 per cent.

More than half of the male population that is gainfully employed works in factories. There are more women workers in New England than in any other section. More women work in Massachusetts and Rhode Island (in proportion to population) than in any other state, except South Carolina.

7. *Market characteristics of New England.*—The outstanding characteristic of New England as a market for almost any product is that which has been observed in relation to its industry and its people, namely, conservatism. New England, as a section, is proverbially a hard market to capture and almost equally hard to lose, once it has been successfully sold.

Retail establishments are small and numerous. Chain stores are well established. Units of purchase are, generally speaking, small rather than large. With a choice between large and small packages of the same product, New England housewives will usually buy the smaller package.

Boston dominates New England, but loses much of its commercial influence in Connecticut to the city of New York. Commercially, Connecticut has little in common with the rest of New England, except perhaps in the matter of the disposition of her people. As a sales territory, Connecticut is more commonly worked out of New York than out of Boston.

The principal trading centers as established in the "Atlas of Wholesale Grocery Territories" of the Department of Commerce, are:

Portland, Maine: Serving normally all of the state of Maine, the upper part of New Hampshire, and the northeastern corner of Vermont.

Manchester and Keene, New Hampshire: Serving, together, lower New Hampshire and those counties of Vermont bordering upon the Connecticut River.

Boston: Serving all of New England, to some extent, and upon some lines of merchandise, but having, as a distinct market area, the eastern third of Massachusetts.

Providence: Serving all of Rhode Island and a small part of Massachusetts.

Worcester: Serving Worcester County, or the east central section of Massachusetts.

Springfield: Dominating the third zone of Massachusetts, west of Boston.

Norwich, Connecticut: Serving eastern Connecticut.

Hartford, Connecticut: Serving central Connecticut.

New Haven, Connecticut: Serving western Connecticut to the state line.

The "Wholesale Grocery Atlas" gives Albany credit for dominating that part of New England represented by the western half of Vermont and the extreme western portion of Massachusetts.

8. *The Middle Atlantic States.*—New York City—largest, most concentrated, most complex market in the world. New York Harbor—widest and deepest in America, 771 miles of possible docking space. New York State—richest in the Union, wide di-

versity of land, climate, industry, people, communities. Wall Street—the money capital. Ellis Island—the funnel of immigration. Adirondacks, Catskills, and Poconos, rivaling New England's mountain playgrounds. Atlantic City—America's greatest seashore resort. The bright lights of Broadway. New Jersey truck gardens. Long Island duck farms. Niagara fruit farms. Pennsylvania—the "Keystone State," coal towns, steel towns. New York and Philadelphia—advertising capitals of the world, where advertising agents and magazine publishers join hands to make markets to order. Baltimore—the ornamental gateway to the South. A mosaic of conflicting characteristics that defies any attempt at generalization.

Here is the one section that reaches from the Atlantic Coast to the great inland seas known as the Great Lakes. Much of the commercial development of this area, particularly in its early stages, was owing to this circumstance. The New York State canals of the '70's carried around 6,000,000 tons of freight per year. As the railroad systems developed, this tonnage dwindled to a little more than a million tons a year; now it is climbing again, and in 1928 was half as great as in the peak years of the past century.

Perhaps an even more important geographical advantage of this section is the narrowing of the "Appalachian Belt" of mountain land at this particular point. Here occurs an extremely happy combination of the best harbor on the Atlantic Coast

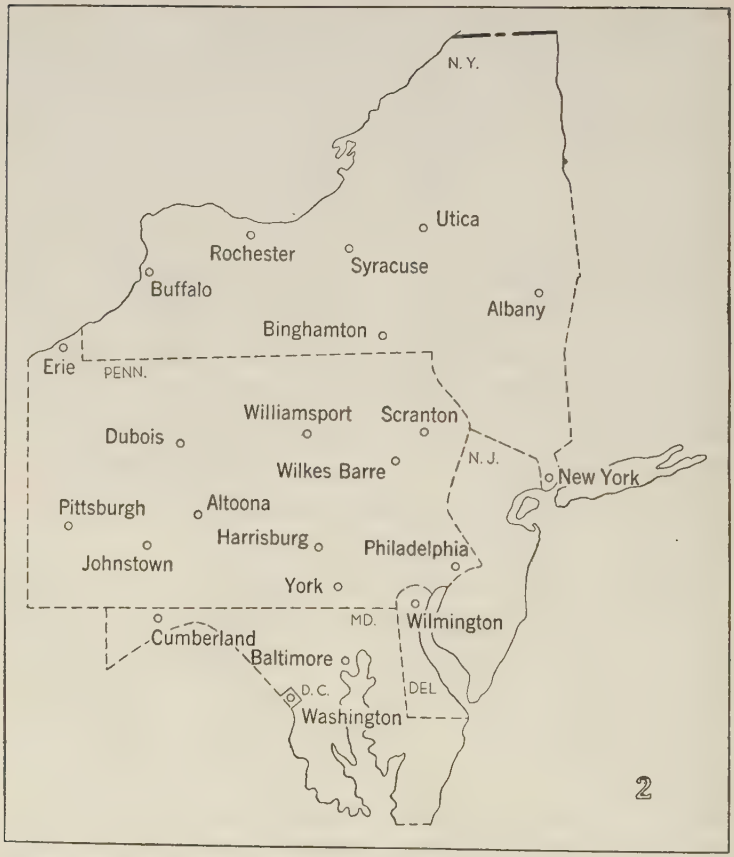


FIGURE 14—THE MIDDLE ATLANTIC STATES, WITH PRINCIPAL TRADING CENTERS

and the easiest access over or around the mountains to the interior of the country, making this region the natural gateway to America for Atlantic Ocean commerce.

Perhaps you have wondered, as you have studied

the map, why there is not a straighter railroad between the two greatest of American cities, New York and Chicago, and why the two principal railroads—the New York Central and the Pennsylvania—seem to take such a roundabout course in traversing the territory between these terminals. The Appalachian belt is the answer. The New York Central strikes out to the north and follows the waterways of the Hudson River and the Great Lakes systems, advertising itself as "The Water Level Route." The Pennsylvania heads off in the other direction, and seeks such waterways as it can find through the more rugged regions of Pennyslvania, until it emerges in the comparatively level stretches of Ohio.

The contour of the land and its resources are reflected in the distribution and occupations of the people. From New York Harbor southward, the outer border of the territory is flat, with shallow water and many sand reefs, offering no attraction for commercial settlement but many attractions for resorting places. Much of the land of this coast plain is sandy and quite valueless for cultivation. Other parts are fertile and lend themselves to market gardening which, particularly throughout New Jersey, is conducted on a large scale, encouraged by the immense city markets so immediately at hand.

Strange anomalies assert themselves in this region. Travel an hour from the congested center of New York City in one direction and you will find yourself

in a counterpart of an Indiana farming section; in another direction, and you will be amid the scenery and atmosphere of the Green Mountains of Vermont; by still another route, you will find yourself in a wilderness resembling the second-growth timberlands and cut-over regions of northern Wisconsin or Minnesota.

The rivers of this region, and particularly the large bays into which they are expanded at their mouths, have provided the logical locations for the chief commercial centers—New York, Philadelphia, and Baltimore. They cut through the mountains and provide access to the interior and they drain the prosperous valleys of the Hudson, in New York, the Kittatinny in New Jersey, and the Cumberland in southern Pennsylvania. The Hudson River, providing the only deep-water passage through the Atlantic highlands and being navigable by large vessels for 150 miles from New York up to Albany and Troy, has contributed largely to the commercial development of New York City.

The Appalachian coal field which extends from northern Pennsylvania to Alabama, is one of the important geographic factors of this region. It is the most important coal field of the country, not alone because of its great extent, but because of its location in the heart of the center of industrial activity of the country. The only important anthracite, or hard coal field in North America, is in northeastern Pennsylvania—the Scranton and Wilkes-Barre

regions—and is confined to an area of only 480 square miles. Western Pennsylvania is also an important oil field. It was the first in the country to be exploited and for that reason has diminished greatly in its importance from the standpoint of volume of production, but is still looked upon as the source of the highest quality of oil.

Pennsylvania is still the chief coal-producing state in the United States, although during the past five years it has yielded leadership in the production of bituminous or soft coal to the neighboring state of West Virginia. Coal is the chief mineral resource of this region, but New Jersey is the third state in volume of production of zinc, and gypsum and cement are also important products of this section.

9. *Climatic characteristics of Middle Atlantic states.*—While there is a wide range in the climatic conditions between the northernmost and southernmost parts of this area, and between the interior regions and those bordering upon the Atlantic Ocean, the climate in general is invigorating, with pronounced but not severe temperature changes, and abundant but not excessive rainfall, well distributed throughout the seasons. Points on or near the coast have less severe changes in temperature, a greater abundance of rainfall, but much more sunshine. If this seems contradictory, compare the statistics for Buffalo and New York City, or Pittsburgh and Atlantic City. Weather Bureau records for many years show that Buffalo has had an average precipi-

tation of 36 inches per year, while New York City has averaged 44, or nearly one-quarter more rain. On the other hand, while Buffalo is credited with a percentage of possible sunshine of 48, and only 70 clear days a year, New York City has 59 per cent of possible sunshine, and 107 clear days per year. Pittsburgh gets 36 inches of rain a year, to Atlantic City's 41, and has 90 clear days a year to Atlantic City's 123.

10. *Industries of the Middle Atlantic states.*—No region offers a greater diversity or a greater abundance of industrial and commercial activity. Agriculturally, it is exceedingly important. New York or Pennsylvania have each more farms than Minnesota, Kansas, or Nebraska. The farm income of New York State is greater than that of any of these three Western states. New York is second to Wisconsin in the value of its dairy products, and Pennsylvania is the fourth state of the Union in this respect. The farm values of these states aggregate some four billions of dollars, or exceed those of any of the best farming states of the rich Middle West, except Illinois and Iowa. The farm income in 1925 was estimated at nearly $850,000,000. Crops are diversified, with much market gardening and truck farming in the coast regions and on the borders of Lake Ontario. Two of the principal potato-growing centers of the United States are in New Jersey and western New York. Fruit growing in New York and New Jersey is extremely important. Until very

recent years, western New York was the most important American apple region. Peaches and pears are raised on the shores of Ontario in great abundance.

Almost every variety of manufacture prevails in this region and most of these manufacturing industries owe their location, wholly or largely, to geographic influences. Pittsburgh is the steel center of the United States chiefly because it is so logical a meeting place for the essential materials in its production—coke, ore, and limestone. The best coke is made from the coal of western Pennsylvania, and the Great Lakes provide economical transportation for the ore from the deposits of Minnesota and Michigan.

Buffalo has become a great flour-milling center, rivaling Minneapolis, for the same reason—the economical transportation, by the Great Lakes system, of the grain from the West to the more populous markets of the East. The region adjacent to Baltimore is the most important vegetable-canning region of the country, since tomatoes, sweet corn, peas, and asparagus are grown here in great quantities. Brooklyn, Philadelphia, and Baltimore are three of the principal sugar refinery points of the country.

More than half of the establishments devoted to the manufacture of ready-to-wear clothing are in New York City, while Philadelphia and Baltimore are also important centers of this industry. Nine-tenths of all the silk mills of the country are located

in Pennsylvania, New Jersey, and New York. Philadelphia leads the country in the manufacture of leather. It is a natural consequence that the industries deriving their raw products largely from these sources attempt to locate in close proximity to their sources of supply. In addition to these industries whose locations have been determined by geographic influences, there are those which have become established in these regions because of the wealth of the market immediately surrounding them.

The value of the production of the fisheries of these states closely rivals that of New England, exceeding $17,000,000 per year. In volume or number of tons, however, it is considerably less. The value is brought up by the importance of the oyster beds, particularly those of the Chesapeake Bay, from which, through Baltimore, comes more than half of the nation's supply of oysters.

11. *The people of the Middle Atlantic states.*— As great a diversity in the race, nationality, religion, thrift, taste, standards, and habits of living of the people is to be found throughout this area as in the character of the land itself and of its industries. The foreign element in all of the cities is very large, being frequently equivalent to the populations of some of the largest cities of the countries from whence the immigrants have come. Immigrant labor has settled in large numbers even in the interior cities, particularly in the steel and coal-mining centers.

The pronounced density of population in this sec-

tion grows still more dense. New Jersey was the fifth state in increase of population in the 1930 census. The growth of New York in the past ten years has been about 50 per cent greater than the average for the entire country. On the other hand, Pennsylvania, Delaware, and Maryland have not kept up to the average. This growth is almost altogether in the cities. The proportion of rural population is constantly declining.

The percentage of foreign-born is greater in this section than in any other, aside from New England. This is not true of Maryland and Delaware, however, where the percentage of foreign-born is well below the average for the entire country.

The proportions of home ownership in this region are lower than the average for the United States and statistics give New York State the lowest percentage of any state in the country. Only Maryland is above the average and that but slightly. This is due in a great part to the large floating population and colonies of apartment dwellers in the cities, for, in the country, farm ownership is notably high. To illustrate, the percentage of tenant farmers in New York State in 1925 was only 14 and in Pennsylvania but 17, in contrast to 25 per cent in Ohio, 42 per cent in Illinois, and 60 per cent in Texas.

The cities of this region have somewhat more individuality, or distinctive color, than those of New England. This is brought about partly by differences in the influence exerted by the kinds of people

by whom they were originally settled. Philadelphia, for example, still exhibits to a pronounced degree the influence of the Quaker families who founded it. Temperamentally, the people of the northeastern part of this section, or of eastern New York, have a strong resemblance to those of New England, and there is notably less conservatism and a more progressive spirit as one travels westward through the Mohawk Valley.

In Pennsylvania, particularly in the eastern part, the prevailing strain is that of the industrious German immigrant who originally settled the rich farming lands of this region. Here we have a people exceedingly thrifty, very conservative, quite reluctant to give their confidence or friendship to newcomers, whether these are persons or products. In Maryland, the influence of the South begins to assert itself in no uncertain terms. Southern customs and manners and Southern food prevail. The climate is just enough warmer to slow the people down a little. Competition is not quite so keen. Foreigners have not made inroads upon Maryland to the extent that they have in the states of the North. Some of the counties along Chesapeake Bay are still inhabited almost wholly by the descendants of the first settlers who received their original grants of land from Lord Baltimore.

12. *Market characteristics of the Middle Atlantic states.*—The chief characteristic of this area, from the standpoint of the marketing man, is its com-

plexity. In no other region, of the same extent, is he likely to be confronted by so many different and often conflicting considerations, so wide an array of opportunities, and so large a number of obstacles. Here, as a rule, he meets with his most intensive competition and his most demoralized trade conditions. He finds in New York City, alone, a population equal to that of the entire state of Texas; in the condensed metropolitan area, nearly ten millions of people, or a population exceeding that of the entire Pacific Coast. Here are mouths to be fed, bodies to be clothed, and rooms to be furnished in great abundance and in a most concentrated area.

Many manufacturers, if they could secure a substantial foothold in this market, would be content to ask no odds of the rest of the country. The trouble is that few manufacturers realize that the difficulties of capturing such a market are in inverse ratio to its geographical extent. Few manufacturers who undertake the introduction of a new product in the New York metropolitan market have the appreciation of this market that they should have, or realize that they are approaching a task fully equal in magnitude to the introduction of their product throughout the entire Pacific Coast.

Here the manufacturer will encounter his largest and most influential buyers as well as his smallest and most insignificant, but the small and seemingly insignificant dealers are in such vast numbers that he cannot afford to ignore or slight them. He will

encounter, almost touching elbows, his richest and his poorest consumers, those easiest and those hardest to reach through any advertising mediums. He will find the established lines of trade broken down so as to make his trade classification most difficult. He will find the chain stores in their greatest abundance. He will find foreign communities, with habits and dispositions favorable or unfavorable to his product, quite different from anything he has encountered in any other part of the country.

New York is the headquarters of many important chains and syndicates, including such institutions as the F. W. Woolworth Company, and sales are often made in New York through these headquarters for distribution throughout hundreds or thousands of stores scattered through the rest of the country.

Philadelphia is another metropolitan market presenting peculiar difficulties, but not so much because of its complexities as because of its pronounced conservatism. As New England is traditionally a most conservative section of the United States, so Philadelphia may be characterized as the most conservative large city. It requires patience and persistence to build up a business in Philadelphia.

Probably no region will give the marketing man more problems in the determination of territories, or the market analyst more perplexities with respect to the establishment of trading areas. This occurs for the reason that the large cities are so close together that there is much overlapping of their regions of

influence. Aside from New York, Philadelphia, Baltimore, and Pittsburgh, the most important trading centers of this region are the cities of the Mohawk Valley in New York State—Albany, Syracuse, Rochester, and Buffalo; Scranton and Harrisburg in Pennsylvania; and Washington, D. C., which, while purely a governmental city with practically no industrial activity, holds an important place as a distributing point.

Newark, New Jersey, while one of the large cities of the country and of great importance industrially and commercially, is so closely connected with New York as to be commonly considered and treated as part of the New York metropolitan area. Of somewhat lesser influence, but still important as market centers and distributing points, are the cities of Utica and Binghamton, New York; Erie, Johnstown, Altoona, Williamsport, and Wilkes-Barre, Pennsylvania; Wilmington, Delaware, and Cumberland, Maryland.

The "Atlas of Wholesale Grocery Territories" divides New York State into six areas, aside from the metropolitan district, dominated respectively by Albany, Utica, Binghamton, Syracuse, Rochester, and Buffalo. The Albany zone, as previously noted, takes in part of Vermont and Massachusetts. Syracuse and Utica, in addition to serving the rich farming districts surrounding them, divide the upper regions of New York, extending to the St. Lawrence River. Buffalo dominates western New York

and a tier of the northern counties of Pennsylvania; Binghamton, the southeastern part of New York State and a part of Pennsylvania. Erie serves the two counties in the northwestern corner of Pennsylvania, and Pittsburgh the rest of the western section.

The central part of Pennsylvania, extending between the areas accredited to Pittsburgh and Philadelphia, is split up into eight territories, governed respectively by Dubois, Williamsport, Wilkes-Barre, Scranton, Johnstown, Altoona, Harrisburg, and York. The territory of Wilmington consists of the three counties of the little state of Delaware and one of Maryland. Baltimore is given most of Maryland and Franklin County, Pennsylvania; while Washington dominates the lower Potomac region, including a number of counties in Virginia. Cumberland, Maryland, serves the two western counties of Maryland and the extreme eastern counties of West Virginia.

The prosperity and activity of the Pittsburgh region are dependent almost entirely upon those of the steel industry. Business in the Scranton and Wilkes-Barre sections is strongly influenced by the condition of the anthracite coal-mining industry.

Good test or introductory markets, as defined in Chapter XIII, subject always to current local conditions, are Syracuse, Rochester and Binghamton in New York as major market centers; Watertown and Jamestown as smaller points; Erie and Harrisburg, in Pennsylvania.

REVIEW

Explain: "New England resembles, commercially at least, a great island."

At present, what are the types of industry in which New England is most successful?

Name several characteristics of New England as a retail market with which the manufacturer should be acquainted.

What is the dominant marketing characteristic of the Middle Atlantic states?

Describe the natural advantages of location contributing to the commercial development of New York City.

Compare the farm values of New York and Pennsylvania with those of the Middle West.

Explain the low rank of the Middle Atlantic states in home ownership.

Name five test markets recommended for the Middle Atlantic area.

CHAPTER XI

AMERICAN MARKETS: THE SOUTH

1. *The South Atlantic states.*—The phœnix of America—a new South arising from the ashes of the old. An intermingling of old things and new. Southern aristocracy and Southern enterprise. New roads, new factories, new towns, new money, new blood, new spirit. Cotton. Tobacco. Rice. Oranges and grape fruit. Lumber. The negro problem—more of a problem in the North, where it is seen from a distance, than in the South, where it is understood. The boll-weevil—curse or blessing, which? Atlanta, the capital of the South. The Blue Ridge Mountains of Virginia and North Carolina; the tropical beaches of Florida. Florida—discovered by Spain in the fifteenth century; rediscovered by America in the twentieth.

Since the day of Lee's surrender and the return of the tattered gray armies to their devastated farms and the tyrannical reign of the carpet-baggers from the unsympathetic government of the North, the South has come a long way industrially, commercially, and culturally—and is still coming. The South promised to come back, made good on its promise, and promises still more for the future. It has come

back in spite of the greatest combination of obstacles that perhaps has ever faced a defeated and impoverished people—isolation, enmity, industrial and commercial domination by her conquerors, the tide of commerce and the march of progress westward past her borders. Had it not been for vast natural resources and the indomitable spirit of the people, coupled with their passionate love for the land, recovery in the face of these discouragements would have been impossible. The South still has its problems and still falls far short of being the richest commercial section of the country, but the tide has definitely turned. Within the past decade the turn has become most pronounced. From the marketing executive this region demands respectful study and a careful appraisal, not only of what it offers him today, but of the rate of progress it is likely to show in the next ten years and thereafter.

2. *Physical characteristics of the South Atlantic states.*—The chief characteristics of the land are its far-flung coast line—not characterized so much by rocky shores and spacious bays and indentations as is the Atlantic Coast of the northern region—and the coastal plain extending inward to the highlands of the Appalachian Belt. Along the North Carolina shore, the sand reefs, or "banks," present a concave face to the sea, and meet in sharp points to form Capes Hatteras, Fear, and Lookout. Farther south, along the coast of South Carolina, are islands which seem to resemble portions of the mainland rather

than sand reefs, with rich soil producing the famous "sea island" cotton. The inundated shores provide the rice lands.

The soil of the coastal plain is arranged in belts, which more or less parallel the Atlantic Coast line. First a sandy plain, next a marl or lime belt, then a belt of clay soil, and, finally, the upland. Where marly or limy, the land lends itself to farms and plantations. Where sandy, the land is left to the pine forests or is barren. The pine forests have provided much of the wealth of the South in their yields of lumber and naval stores—rosin, pitch, and turpentine. On the smoother parts of the coastal plain of southern Virginia and North Carolina, there are extensive fruit and vegetable farms which largely supply the Northern markets. Some of these large swamps, like the Dismal Swamp on the borders of Virginia and North Carolina, occupy relatively high ground, which makes good farming land, when drained and cleared.

3. *The climate of the South Atlantic states.*— Long, hot summers with generally mild winters, heavy annual rainfall well distributed throughout the year, and an abundance of sunshine characterize this section. These features result in a growing season extending from the entire year in southern Florida, to one-half the year, or from 180 to 190 days, in the most northerly limits of this region. Throughout the cotton belt the growing season ranges from 220 to 260 days per year.

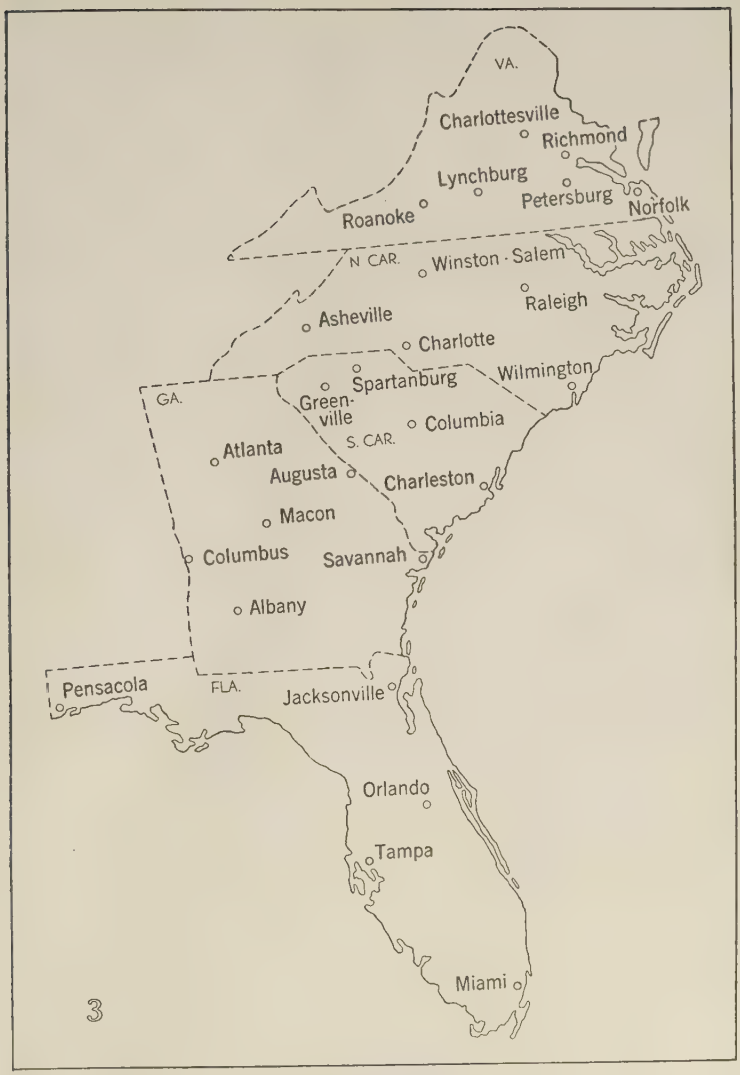


FIGURE 15—THE SOUTH ATLANTIC STATES, WITH PRINCIPAL TRADING CENTERS

The climatic range is from a moderate, temperate condition in the Appalachian highlands and the Piedmonts to subtropical in Florida. The annual rainfall is from 45 to 50 inches, in the Piedmont area, to more than 60 inches along the Gulf of Mexico and in the mountains. More than half of this rainfall comes in the growing season, while at the end of August, when the cotton bolls are opening and ripening, clear and sunshiny days prevail. The climate and crops are largely responsible for the established social conditions of the South Atlantic states, requiring cheap and abundant field labor capable of working in excessive heat and resulting, therefore, in the importation of the negro. There is no snowfall in any part of this region before December first, and none at all in southern Florida.

4. *Industries of the South Atlantic states.*—The forest products of the South, while not so important as in the past, still support the second industry of this region. The permanency of its lumbering industry is assured by the rapid-growing characteristic of much of its timber. The sandy belt of the coastal plain produces the Southern pine, including the long leaf, the short leaf, loblolly, and Cuban or slash pine, while in the river bottoms and the swamp lands are found cypress, tupelo, sweet gum, and other varieties. In the Piedmont region of the Carolinas, there is a mixed growth of pine, oak, and other hardwood. Chestnut, basswood, spruce, and Carolina hemlock are found in the mountain regions, and the Cumber-

land plateau produces several of these varieties, together with beech, birch, and sycamore. Thus an exceedingly wide variety of timber comes from this region.

More than a quarter of the world's supply of phosphate and 85 per cent of the production of the United States comes from the phosphate beds of Florida. This is an exceedingly important fertilizer and perhaps the most important mineral resource of this area. Mica, feldspar, and granite are found in liberal quantities in the Piedmont section.

Cotton and tobacco are the most important crops throughout the entire area, with the exception of Florida, where fruits and vegetables are dominant. The corn crop of the South is also very important. The two principal peanut centers of the United States are in the southwestern corner of Georgia, the southeastern part of Alabama, and the region of the Albermarle Sound, on the boundary line between Virginia and North Carolina. Sugar cane and sorghum cane are grown to a considerable extent in this region. The centers of tobacco production are in Virginia, North Carolina, and South Carolina, while cotton, rice, and sugar are grown more generally in the southern tier of the states, with the exception of Florida.

In some parts of this section, from one-half to three-quarters of the cultivated land is planted with cotton. The importance of the region in cotton production is attributable to the fact that there are no

other large areas in the world where climatic and soil conditions are so favorably combined for the requirements of this crop. One of the great problems of the South has been the spread of the cotton boll-weevil, which entered southern Texas from Mexico in 1892 and gradually spread its ravages for thirty years until it covered the entire cotton-producing area. The amount of damage done by this pest varies. In some years it is estimated that as much as one-third of the total prospective crop has been destroyed. The boll-weevil, nevertheless, has been looked upon by many as a blessing in disguise. On the one hand, it has been a check against overproduction, a constantly threatening danger; on the other, it has brought about a requirement for more scientific farming methods.

Florida raises about one-third of the oranges in the United States and four-fifths of the grape fruit. Georgia produces about one-eighth of the peaches and over a quarter of the pecans. North Carolina and Florida ship literally millions of quarts of strawberries into the northern markets in the early spring. About a quarter of the sweet potatoes and yams come from this region.

The growth of manufacturing in this area, during the past fifteen years, has been decidedly greater than for the United States as a whole. The Department of Commerce reports that in the twelve-year period from 1914 through 1925, while the increase in the value of manufactured products for the United

States was 159 per cent, it was 203 per cent for the Southeastern states, including, in addition to the group here considered, Tennessee and Alabama, but not including Virginia. Florida increased 229 per cent; Georgia, 156 per cent; North Carolina, 263; and South Carolina, 169. These are significant indexes of growth. This growth has been contributed to, in a great degree, by the development of the textile industry in the South, as previously noted.

5. *The people of the South Atlantic states.*—Just as the contour and extent of the land, the nature of the soil, and the character of the climate of New England discouraged agriculture and forced its people into manufacturing and commercial pursuits, so the attributes of land, soil, and climate in these South Atlantic states have exercised exactly opposite influences and produced a people of opposite pursuits, tastes, and temperaments. The South, as has been seen, is agricultural. More than three-quarters of the population is rural as defined by the census, but its people differ radically from the farmers in the Central and Middle West sections. They are different, not alone because of the character of the crops they raise or the difference in climate, but even more because they are so decidedly the products of their own soil.

The movement of population in and out of this region has been insignificant. In the drift which resulted in the settlement of interior lands of the United States, the South participated much less

than New England and the Middle Atlantic states. Migrations of people are, generally speaking, along parallels of latitude. In the northern part of this section, the early inhabitants were virtually fenced in from any pronounced western movement by the broad mountain ranges, while to the south there was little incentive to move westward, as the character of the lands to the west was relatively unchanged.

Except for the recent land boom in Florida, there have been no incidents, such as the discovery of gold in California or the opening of government lands in the Middle West, to invite any rush of settlers from the North. After the Civil War, most of the people were too poor to move anywhere, and the animosities engendered by the struggle were too much alive for at least a generation to encourage active immigration in either direction. The chief barrier, doubtless, was the climate which generally prevails throughout the South. Neither the Northerner of the United States nor the immigrants from Europe can easily accustom themselves to live comfortably and work effectively in this climate.

The white population of that part of the South outside of Florida may be divided into wealthy land owners of the country and prosperous manufacturers, merchants, and professional people of the cities, a less prosperous and thrifty class of tenant farmers, and a class universally known as "poor whites."

While the negro of the South, as a class, has not learned thrift, he is, nevertheless, a factor to be

counted in the calculations of most manufacturers. He must be fed and clothed and he is a free spender of such money as he has. Stories are told of fortunes made in the marketing of preparations to straighten out the negro's kinky hair, and many manufacturers of clothing have reaped substantial profits from the sale of merchandise designed especially for the negro market.

On the other hand, it must be remembered that every Southern city has its prosperous and respected negro business and professional men and its negro aristocracy—people of the colored race who have raised themselves substantially above the common level, both economically and culturally.

The negro population, constituting 40 per cent of the total for the South Atlantic states, is not distributed evenly over this area, however, as many suppose. In some parts, notably the upland country, the proportion of negroes dwindles to less than 12½ per cent, which is a smaller proportion than in Atlantic City or Kansas City. In other sections, they constitute over 90 per cent of the population. Their greatest density in this region is in northern Florida, central Georgia, South Carolina, and North Carolina. Geographically, the negro population and the cotton crop centers are in the same locality.

Growth in population in this region has not been evenly distributed, by any means. The greatest growth has been in North Carolina and Florida. The section, as a whole, gained about 12 per cent in the

period of from 1920 to 1930, as against a 16 per cent gain for the entire country. Florida, however, showed the second largest gain of any state, namely, 51 per cent, and North Carolina was sixth in this respect.

6. *Florida—a region apart.*—In considering the South Atlantic states, none of the generalizations with respect to this area can be applied to Florida. In all of its geographic and economic aspects, Florida differs greatly from the rest of this region. If we were dividing the country into a greater number of sections, Florida would be treated as an entirely separate division.

Everyone knows what has happened to Florida—the spectacular boom of 1925 and the collapse that so abruptly followed. While thousands suffered from shattered hopes and shattered fortunes, Florida itself made a great gain. The boom drew in tens of thousands of new people from the North and millions in Northern money. Much of the money was wasted and most of it changed hands, but a great proportion of it stayed in Florida in permanent improvements. The boom advertised Florida to the rest of the United States as no one section has been advertised for years.

With the collapse, many of the people who had been drawn into the state remained and went to work to recover their fortunes, while others returned to their homes in the North, perhaps sadder from experience and cured of land speculation, but still

possessed of an enthusiasm for the land itself and its possibilities. Florida has made substantial recovery from the collapse of the land boom, is more in favor as a winter resort for prosperous Northerners than ever before, and is making healthy progress in its industry. As a market for most of the necessities and luxuries of life, aside from those which the subtropical climate renders of little account, Florida has doubled in its importance in a very short span of years and promises even greater progress for the future.

7. *Market characteristics of the South Atlantic states.*—The South, generally speaking, is a region of small stores and, particularly, of general stores. This is due to the fact that so large a proportion of the population is rural. There are exceptions, of course, in the larger cities, where modern department stores and specialty shops flourish, and in the state of Florida, which is so much more highly urbanized. The great flow of merchandise, however, is through the small stores.

Retailers are storekeepers rather than merchants. They are exceedingly close to their customers. This is a heritage from the generations during which the merchants of the South virtually acted as bankers to the farmers, extending them credit and supplying them with staple merchandise until their crops were turned into cash. Economic changes have broken down this system to a large extent, but the type of merchant that it produced still predominates.

The "time" and "lien" merchant who took mortgages on the crops, for which he furnished the farmer with the necessities of life, did not have much of an element of "consumer demand" to reckon with. As his customers were always in debt to him, he was the natural arbiter as to what they should buy. He stocked staple, rather than fancy goods, and economized by avoiding diversity in his merchandise. This tendency still prevails more in the rural stores of the South than in any other parts of the country. Goods that are commonly sold in packages in other parts are still scooped out of barrels and bins in the South. However, this order of things is changing rapidly.

Good roads and the automobile, together with the industrial progress that has modernized many of the cities and small towns, are effecting rapid changes in the commercial structure. The good roads and automobiles are taking patrons who have money to spend into larger markets and making it necessary for the rural merchants to meet this competition. Chain stores, too, are entering this section in increasing numbers, this movement being most pronounced within the past two years.

With less congestion or density of population, there is not so much overlapping of trading areas throughout this region. Every fair-sized city serves a substantial area. Starting with Virginia, the cities of Norfolk, Petersburg, and Richmond divide up the eastern half of the states; Charlottesville serves a number of counties in the northern part; and Lynch-

burg and Roanoke dominate the western section. The extreme western portion of Virginia is considered tributary to Charleston, South Carolina, and Knoxville, Tennessee. Norfolk serves as large a section of eastern North Carolina as it does of Virginia.

The remainder of North Carolina, with the exception of a few of the western counties which are considered to be in the Knoxville territory, is divided into six market areas, governed respectively by Asheville, Charlotte, Winston-Salem, Raleigh, and Wilmington. In South Carolina, there are four territories, namely, Greenville, Spartansburg, Columbia, and Charleston. Atlanta dominates all of northern Georgia, aside from a slight encroachment from Chattanooga on the northwest. Augusta serves the territory lying partly in Georgia and partly in South Carolina. Savannah serves a section in Georgia and South Carolina quite as large as that accredited to Atlanta. Macon, Albany, and Columbus, in Georgia, are the commercial capitals of three smaller regions in the central and western portions of the State.

Jacksonville, Florida, covers most of northern Florida and part of southern Georgia, with Pensacola serving the Florida Panhandle. The Florida east coast is divided into two territories, with Orlando and Miami as centers, respectively, and the west coast is served out of Tampa.

Most of the cities named will be found good test markets, under favorable conditions, for the intro-

duction of a new product in the South. With the possible exception of Atlanta, none is too large for the average requirement. The interior cities of Virginia and the Carolinas will be found, as a rule, the most progressive and receptive. Throughout this entire region the season is of utmost importance in all merchandising activity, while the condition of the crops and the prices they are commanding are determining factors with respect to the current prosperity.

8. *The South Central states.*—Tobacco. Kentucky blue grass. Kentucky thoroughbreds. Great rivers. Vast waterpower resources. Muscle Shoals. Birmingham, the Pittsburgh of the South. Cotton, corn, sugar, hogs, lumber. More negroes. Floodlands and marshes.

Here is a region quite distinct, in many respects, yet closely related to the South Atlantic states. We can treat it more briefly, not because it is a somewhat smaller section on the map, but because much that has been said of the South Atlantic states applies equally to at least the southern half of this area. Kentucky and Tennessee seem, in many respects, to have more in common with their northern neighbors, while Alabama and Mississippi consort more closely with Georgia and South Carolina.

In this region we encounter, for the first time, the interior states on the western slope of the Appalachian belt. Northernmost is Kentucky, bounded on the east by rugged mountains, with one-quarter of its entire area occupied by the famous "Blue Grass"

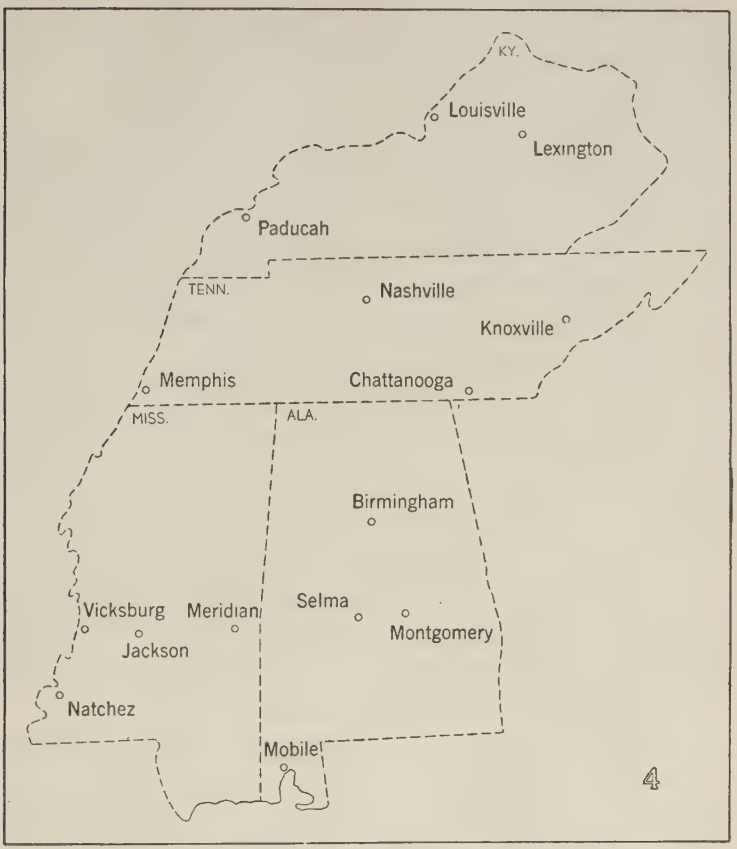


FIGURE 16—THE SOUTH CENTRAL STATES, WITH PRINCIPAL TRADING CENTERS

region, so named because of the rich color of its natural verdure. This is one of the most fertile sections of the entire country, possessing a "home-made" soil, rather than one created by the glaciers of centuries ago which swept down from the north, creat-

ing the Great Lakes and thousands of little lakes, and depositing the "glacial drift" soils as they receded.

In Tennessee we have a state bounded by more states than any other in America, reaching into the Blue Ridge Mountains to the east, smoothing out as it proceeds west until it arrives at the rich bottomland of the Mississippi. Tennessee has its Nashville basin, not so famous as the Blue Grass valley of Kentucky, but nevertheless of exceeding fertility.

Alabama, like Georgia and South Carolina, gives over its southern parts to the coastal plain, while its northern section is occupied by the southernmost ridges of the Appalachian belt. Here rich deposits of coal and iron combine to give Alabama unique distinction as one of the leading industrial states of the South. Mississippi is the flattest state of this group, having no mountains, with its highest point only about 1,000 feet above sea level.

In Mississippi and Alabama, the climatic conditions are almost identical with those discussed for the South Atlantic states. Kentucky and Tennessee present a wider range of climate, due to variations in altitude and lacking the influence of the Atlantic Ocean, and they have materially less rainfall than the states of the East.

The waterways of this region have played an important part in its development. With only a short coast line, it has but two harbors of importance —Mobile, Alabama, and Gulfport, Mississippi—but

these handle about a million tons of export cargo per year. Before the advent and growth of the railroad, the Mississippi River and its many tributaries were the important routes of commerce and were responsible for many of the principal settlements. Even with the diverting of traffic to the railroads, the low water rates are resulting in a constant increase in the Mississippi River tonnage.

9. *Industries of the South Central states.*—Despite the industrial activity of Birmingham, and the many and diversified manufacturing interests of Kentucky and Tennessee, this area is distinctly agricultural and has the greatest proportion of rural population (nearly 80 per cent) of any of the ten sections under consideration.

Until the past few years, Kentucky led the United States in the production of tobacco, more than one-third of the land being planted with tobacco. During the past few years, North Carolina has taken away this lead until it now produces twice the quantity produced by Kentucky. The latter still holds second place in tobacco production over the rest of the states by a wide margin. Over a period of years, the two states of Kentucky and North Carolina have produced well over half the tobacco grown in the country.

Important as the tobacco crop is to Kentucky, the corn crop is of even greater value. It is one of the leading coal-producing states, exceeded only by Pennsylvania and West Virginia.

Tennessee is a state with more diversified agriculture than almost any other in the country. It has substantial production of cotton, wheat, and corn—three crops that are seldom found in the same regions. It produces half as much cotton as South Carolina, half as much corn as Indiana, nearly half as much wheat as Iowa, and half as much tobacco as Virginia. Its production of early fruits for the northern markets is also important.

Mississippi provides the largest cotton crop of any state outside Texas. It has the greatest proportion of rural population of any state in the Union, nearly 90 per cent.

The Birmingham section of Alabama stands third in production of iron ore. While the iron ore production of Alabama is only a little more than one-ninth that of the Lake Superior region, its location in so close proximity to the supply of coal provides a peculiarly happy combination. Alabama ranks fifth or sixth, according to the year's production, in cotton yield.

In lumber and lumber products, this region has a very distinct leadership. Mississippi produces more lumber than any state east of the Rocky Mountains and the production of Alabama is only slightly smaller. Practically all the varieties named in connection with the South Atlantic states are likewise found in this area. Tennessee, while of much less importance as a timber state, produces more lumber than any of the states north of it.

10. *The people of the South Central states.*—Nowhere else does the proportion of the negro population run quite so high as in the state of Mississippi, although its lead over South Carolina is very slight. More than half of the population are negroes. The percentage of illiteracy is particularly high in this region, being higher for this group of states than for any other of the ten divisions. As in the South Atlantic states, the percentage of the proportion of foreign-born whites is much lower than it is throughout the rest of the country. In fact, it is lower in this region than in any of the other ten regions of the United States, except the North Pacific.

The increase in population, as revealed by the census, has been considerably behind the rest of the United States. As against the average 16 per cent increase for the whole country since 1920, the increase in this region has been only five per cent. Each one of these four states will suffer a decrease in the number of its seats in the House of Representatives when based upon the latest census; Kentucky losing two and the others one each.

There is a great deal of difference in the thrift of the people in the two northern states, as against those in the south. In Kentucky, more than half, and in Tennessee, a little less than half, of the people own their homes, while in Mississippi and Alabama this proportion is reduced more than one-third. The contrast is even greater when applied to the farmer. In Kentucky, more than two-thirds of the farmers

are owners, while in Mississippi more than two-thirds are renters or "croppers." Farm ownership in Mississippi is the lowest of any state in the country. In Alabama, this condition is only slightly better, although Alabama shows some improvement in conditions over its adjoining states, both east and west. Land values run about a third less in Mississippi and Alabama than in Kentucky and Tennessee.

11. *Market characteristics of the South Central states.*—As a region of the country, this area suffers in comparison with those surrounding it, the Atlantic Coast states to the east, the Central states to the north, and the trans-Mississippi states. It has not made equivalent progress either in growth of population or in industrial activity. It has had none of the fortuitous circumstances, such as the rapid upbuilding of the textile industry in the Carolinas or the land boom of Florida, to expedite its progress. It has virgin resources, but many of them have been only partly developed. Even the iron industry of northern Alabama has not been keeping pace with the growth of this industry in the North.

What is said of this region, as a whole, applies much more to the states of Mississippi and Alabama than to Kentucky and Tennessee. So far as the two southern states are concerned, what has been said of trade conditions in the South Atlantic states applies equally to these. Business in this region is strongly affected by the fluctuations in the cotton

and tobacco crops, and, in a measure, by the activity or inactivity of the iron industry in the Birmingham region.

Principal cities and market centers of this area are: the city of Louisville, in the extreme north; Memphis, Nashville, and Knoxville, equally distributed across the wide expanse of Tennessee; Birmingham and Mobile, Alabama. Trading areas as mapped by the "Atlas of Wholesale Grocery Territories" center around these and a number of smaller cities. The northeastern parts of Kentucky are served by Cincinnati, Ohio, and Huntington, West Virginia. Lexington, the center of the Blue Grass region, divides, with Louisville, most of the western part of Kentucky. Evansville, Indiana, which is across the Ohio River, reaches into Kentucky for a considerable amount of trade, and the extreme western point of the state, together with a few counties in Tennessee, is served by Paducah.

Memphis, Nashville, and Knoxville divide up the state of Tennessee in comparatively equal portions, with the exception of a smaller territory served by Chattanooga, which also governs the northeastern corner of Alabama and the northwestern corner of Georgia. Memphis is considered by the compilers of the "Atlas" as serving more territory in the adjoining states of Arkansas and Mississippi than in its own state of Tennessee. Because of the fact that there are no large cities in Mississippi, and no cities of any consequence in the northern part, Memphis

dominates the entire northern section of the state. The remainder of Mississippi is governed almost entirely by New Orleans, with subordinate distribution from Vicksburg, Jackson, Meridian, and Natchez. The northern half of Alabama is generally dominated by Birmingham, while Selma, Montgomery, and Mobile divide up the southern portion, except for a few counties whose trade commonly goes to Columbus, Georgia.

In the northern part of this region the best test markets for introductory sales work are Lexington, in Kentucky, and Nashville and Knoxville, in Tennessee. Louisville, Memphis, and Birmingham are all good for this purpose, if cities as large as these are desired. The string of smaller cities across the south central belt of Mississippi and Alabama should be chosen as introductory markets when local conditions are favorable.

REVIEW

List the industries of the South Atlantic states, exclusive of tobacco and cotton culture.

Compare the growth of manufactures in the South Atlantic area with that of the United States as a whole.

Name the sections of the South having the greatest density of negro population.

Explain the peculiarly close relationship of the Southern storekeeper to his rural customers, and show how this relationship affects his buying policies.

Trace, on a map, the market areas of North Carolina.

Compare the South Central and South Atlantic states with respect to land, climate, and industries.

What are the notable population characteristics of Kentucky and Tennessee?

CHAPTER XII

AMERICAN MARKETS: THE WEST

1. *The Central states.*—Geographical center of population. Geographical center of manufacture. The great railroad center of the nation. Center of steel. Center of coal. Broadway of the nation—great highway of inland commerce—well-trodden pathway of progress from the Atlantic Seaboard westward. Great Lakes—great rivers—great cities—and great people. "The Soo," with four times the cargoes of the Suez Canal. Chicago—crossroads of America and meat packer for the world. Gary—the magic city that steel built. Detroit—the city that put the world on wheels. The rubber center of America. The business end of the corn belt.

Here, as nowhere else in America, there is a commingling of the three great phases of industry: agriculture, manufacture, and trade—the extractive, conversion, and distributive functions—a mixture that makes for the utmost in stability and versatility. Here we have, therefore, a breed of people that these conditions naturally create—industrial, versatile, and enterprising.

This region, with the exception of West Virginia (which is not as well known as it deserves to be and

should have a chapter all to itself), is largely the product of the glacial drift. The enormous glaciers of the early ages, grinding back and forth from the north, gouged out the Great Lakes and the beautiful smaller lakes of this region, besides unearthing

FIGURE 17—THE CENTRAL STATES, WITH PRINCIPAL TRADING CENTERS

an abundance of rich soil. Geographically, here is a great inland territory almost completely surrounded by water, lakes to the north, and the great rivers of the Ohio and Mississippi to the south and west. Tra-

versing the region in almost all directions are navigable streams, the tributaries of these lakes and rivers, which served the country well, in its early stages, by encouraging a wide scattering of settlement. Here we have the strange anomaly of an inland state, Michigan, with more coastline than Florida or California.

While there is a great difference in the character of the soils, and therefore of the products to which they are suited, there is little of this region that does not lend itself to agriculture in one form or another. There are no mountainous regions outside of West Virginia. At most, the land of Ohio, Michigan, and Wisconsin is of rolling character, smoothing out into the great prairies of Indiana and Illinois. It has been said, with only slight exaggeration, that the entire state of Illinois could be plowed up without the plowshare's touching a stone.

West Virginia offers a severe contrast to the rest of this territory in its geographical features, in contour of land, and in climate. It is a mountainous state of rugged beauty, extremely rich in natural resources. It is the first coal-producing state of the Union, two-thirds of its area being underlaid with coal. It has important hardwood forests. Coal occurs in liberal quantities in Ohio, Indiana, and Illinois.

Before its settlement by the white man, this region was the seat of the great central hardwood forest, which has almost completely vanished, but which left

behind it an outgrowth of industries, such as the furniture industry of Grand Rapids and wagon-manufacturing, which, in the twentieth century, was translated into the automobile industry. Forests to the north, in Wisconsin and Michigan, yielded an abundance of white pine, spruce and hemlock, but by the end of the nineteenth century these supplies were almost entirely exhausted.

2. *The climate of the Central states.*—Of West Virginia it is said that it has the climate and products of both Virginia and New England—more sunshine than Pennsylvania and less snow than Ohio. This is because the climate is influenced as much by the pronounced variations in altitude that occur in this region as it is by latitude and proximity to the sea.

Throughout the rest of this area, climates are affected by the wide range in latitudes from northern Wisconsin and Michigan to southern Illinois and by the influence of the Great Lakes, which modify temperatures of both summer and winter and act as regulators upon the rainfall. The abundant fruit crops of the lower peninsula of Michigan and along the southern shores of Lake Erie are due largely to this climatic influence.

Records of Green Bay, Wisconsin, and of St. Louis, Missouri, which is representative of the climate of southern Illinois, may be fairly compared. The average temperature the year round is 12 degrees higher in St. Louis than in Green Bay. The daily low average for Green Bay in January is 8

degrees and in St. Louis 23 degrees. The lowest temperature that St. Louis has ever known is 22 below zero. In Green Bay the mercury has fallen as low as 36 below. Green Bay gets 48 inches of snow per year, on an average, and St. Louis only 20. While Green Bay has only 83 clear days in a year, St. Louis has 138.

3. *Industries of the Central states.*—The great diversity of the industry of this region has already been remarked. It produces nearly one-half of the coal of the United States and nearly one-half of the iron. The coal of West Virginia alone is worth more than all of the gold of the Pacific Coast. The Central region contains a third of the manufacturing interests of the entire country. It produces most of the automobiles of the world. It slaughters and packs most of the meat. Including a substantial part of the corn belt, it raises about a fifth of the national crop. Illinois ranks next to Iowa in production of both corn and hogs. Wisconsin leads the country in the number of its dairy cows and in the value of its dairy products. It produces more than half the cheese that is made in the United States.

The importance of the waterways has already been touched upon, particularly with reference to the traffic of the Great Lakes, which equals or exceeds the domestic commerce of both the Atlantic and Pacific coasts. In 1928 nearly 90,000,000 tons of freight passed through the Sault St. Marie Canal, of which over 50,000,000 was iron ore. The remain-

der of the traffic included more than a half billion bushels of grain and nearly 200,000,000 feet of lumber from the Northwest seeking the Eastern markets. Another 20,000,000 tons of traffic is carried annually by the Ohio River.

Other important industrial activities that should be mentioned are the great oil refineries in Indiana, near Chicago, the paper mills of the Fox River valley in Wisconsin, the machinery and machine-tool plants scattered throughout the area, the great woodworking industries of Michigan and Wisconsin, the pottery industry of Ohio and West Virginia, the rubber plants of Akron, and the salt mines of Michigan.

4. *The people of the Central states.*—What George Ade said of Indiana may serve to characterize broadly the people of this entire area. "A commonwealth, neither nebulous nor indefinite," he called it. "It has a soul. It is individual. It was settled by pioneers who had the enterprise to seek new fields and the gumption to settle down, when they found themselves in the promised land." Ade was speaking particularly of the farmers of the Hoosier State, descendants, for the most part, of the early pioneer families. This region welcomed the first surges of the overflow of settlement from the eastern side of the mountains.

Here the East and the West, the older and the newer parts of the country, join hands. The country is new enough for the people to have more enterprise

than farther east, and old enough for them to have their own traditions established through several successive generations. There is somewhat more friendliness and neighborliness. Newcomers get acquainted more readily and are more quickly accepted into the community, a trait that increases constantly as we travel west across the continent. This characteristic is exceedingly important to marketing. Where there is more intercourse among people and more neighborliness, there is more conversation, and a material part of such conversation has to do with marketed commodities. Word-of-mouth advertising is of more importance among such people.

It is unsafe to generalize too much with respect to the character of the people, however, as there are important differences to be observed between even the people of such neighboring states as Ohio and Indiana, or Illinois and Wisconsin—differences attributable both to the variations in the prevailing industries and to prevailing strains of nationality. Even the extreme portions of a single state, like Illinois, will show entirely different local characteristics. The Rockford region of the north takes on the flavor of the dairy country of Wisconsin, while Little Egypt, at the southernmost point of Illinois, with different climate and soil, has dissimilar characteristics in its farms and its people.

The people are, as a rule, thrifty. Only the state of Illinois falls below the average for the United States in home ownership, while Wisconsin has the

second highest average for the country. Throughout all these states, except Illinois, the great majority of the people in the cities own their homes, while the farmers are owners rather than tenants.

The percentage of foreign-born is above the average, particularly in the states of Illinois and Michigan, where the foreign laboring classes have been drawn into the cities, and in Wisconsin where there are many Germans, Scandinavians, and Poles. The larger cities, because of their industrial character, have, as a rule, large centers of foreign population. In Cleveland there are as many Hungarians, for example, as there are in some of the large cities of Hungary.

The early French explorers who came through the Great Lakes region from Canada in the seventeenth century, crossed Wisconsin to the Mississippi, explored it to the mouth of the Arkansas and returned by the Illinois River, have left a permanent mark upon the country. Their descendants are still found in some of the towns which were founded around their missions throughout Wisconsin and Illinois, and many places bear the French name which Marquette, Joliet, and their followers originally gave them.

The growth of this area during the past ten years is shown by the 1930 census to be materially above the average for the entire country. This growth, however, has not been evenly distributed. It has been far the greatest in Michigan where, due largely to the expansion of the automobile industry, the

population increased nearly one-third in this period, the third greatest increase in the country, and by far the greatest of any state in the industrial region. Illinois went ahead only a little faster than the rest of the United States, and so did West Virginia, but the other three states showed a more moderate growth than did the country as a whole.

5. *Market characteristics of the Central states.*— In many respects, this is the most generally satisfactory market of any of the ten divisions we are studying, both for the consumer and for industrial products. Because of the diversity of its industrial interests, it has an inherent stability much greater than that of those sections which are largely dependent upon one industry, while it is not quite so subject to the cross-currents of severe competition as are parts of the East.

As a section, it is decidedly less complex from a marketing standpoint than are the Middle Atlantic states, and more prosperous than New England or the Southeast. It is a "workable" market with plenty of railroads in all directions, excellent bus lines between all of the large cities, good roads for the man who travels by car, and constantly expanding airplane service. Here aeronautic transportation meets with its greatest encouragement because of the combination of a relatively level country, sufficient distances between points to enhance the value of time-saving, and more substantial markets than in the country farther west.

Here are the headquarters of some of the greatest chain store systems of the country, together with an abundant representation of those chains which have their headquarters in the East. Here, also, are the headquarters of the leading mail-order houses of the world. The small town becomes a more important market center, because of the increase in prosperous farming communities and the greater prevalence of good roads.

The manufacturer of almost any type of industrial equipment will find many of his best markets within this region. The automobile industry, alone, has created many new industries to supply it with its material. Storage batteries, artificial leather, plush and velour are examples, to say nothing of the multitude of automotive parts. The plate glass industry was revolutionized when the closed car came into general acceptance. Because of the wide ramifications of the automotive industry, a depression in Detroit is felt throughout the rest of the world and in every other line of trade.

The principal market centers of this area are: first of all, Chicago, the great wholesale center of the interior of the country; then, Milwaukee, Detroit, Cleveland, Cincinnati, and Indianapolis. These are the primary centers of this region. A secondary group may be made up, consisting of: Green Bay, Wisconsin; Grand Rapids, Michigan; Columbus, Ohio; South Bend, Fort Wayne, and Evansville, Indiana; and Peoria, Illinois.

The greater part of Wisconsin is dominated by Milwaukee, with Green Bay serving a considerable region in the northwestern part and part of the northern peninsula of Michigan. The western part of Wisconsin is largely tributary to Duluth, Minneapolis, St. Paul and Winona, Minnesota, and Dubuque, Iowa. In addition, St. Louis dominates the greater part of lower Illinois; Springfield, Bloomington, and Danville are important wholesale territories in central Illinois; and Terre Haute, Indiana, and Toledo, Ohio, have important tributary areas. The upper peninsula of Michigan is served largely by Houghton, in the western part, and Sault Ste. Marie, in the eastern. Wheeling, Parkersburg, Clarksburg, Huntington, and Charleston are the leading centers of West Virginia, controlling fairly equal areas in that state and adjoining regions.

6. *The trans-Mississippi region.*—Broadly speaking, the United States can be considered as consisting of five great divisions:

(a) The industrial region east of the Mississippi and north of the Ohio
(b) That part of the South east of the Mississippi
(c) The great farming area of the Middle West and Northwest, across the Mississippi but east of the Rockies
(d) The great Southwest
(e) The Pacific Coast

The first two of these five divisions, lying east of the Mississippi River, assume by far the greatest

importance to the marketing man, since they represent the great bulk of wealth and activity and, therefore, the great majority of the markets of the United States for most products.

Almost an exact two-thirds of the population, according to the 1930 census, live in this region east of the Mississippi, although it represents less than one-third of the total land area of the United States. While the trans-Mississippi areas abound in points of geographical interest even greater than those to the east of the great river, they may be more briefly described, not only because they represent smaller markets in volume, but also because they are, as yet, much less complicated markets.

7. *The Northwestern states.*—Wheat and flour. The breadbasket of America. The richest iron deposits in the world. The greatest copper center. Vast areas, like the entire state of North Dakota, without a single large city. Spacious farms and ranches. Great diversity of mineral wealth. The wool country. "Dude" ranches in Wyoming, a new form of the summer tourist business.

The eastern part of Minnesota is definitely a part of the Great Lakes region and is the point of origin of a large part of the Great Lakes traffic. Most of the state, together with the eastern sections of the Dakotas, falls within the prairie region, while the western parts of the Dakotas and the eastern sections of Montana and Wyoming are in the Great Plains, shut off from rainfall by the mountains.

Here we encounter the first of the great irrigation projects, which, throughout the entire West, are transforming areas of desert land into fertile farms. The western extremes of Montana and Wyoming are in the Rocky Mountains and here the great min-

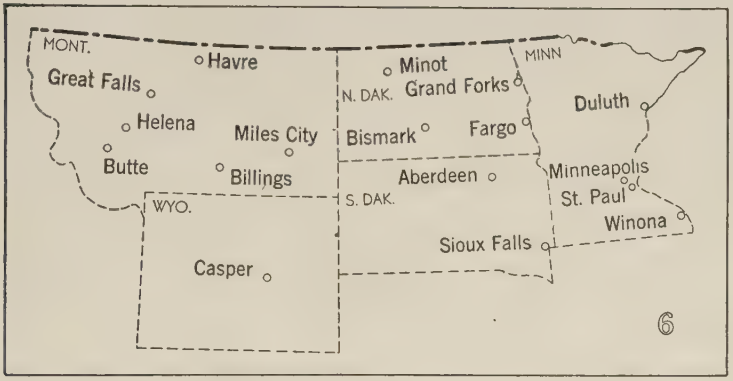


FIGURE 18—THE NORTHWESTERN STATES, WITH PRINCIPAL TRADING CENTERS

eral resources present themselves, together with unending natural wonders, such as those of the Yellowstone region, which annually attract hordes of tourists.

This is the region that, traditionally, "the weather comes from." It is from these parts that the "cold waves" of winter swoop down through the rest of the country. Nevertheless, the region displays a greatly varied climate, with ample rainfall in the eastern part but not enough in the western part to produce any but drought-resistant crops, except where irrigation has been resorted to.

8. *The Northwestern people and markets.*—This newer country is occupied by a newer people, with more of the characteristics of the pioneers. The region is distinctly agricultural, settled largely by immigrant farmers. Mining sections appear to the west, with a large proportion of foreign-born characteristic of such regions. Minnesota has a strong Scandinavian population. The rigorous climate retards population growth, none of the states of this region making a gain in the last census commensurate with that of the nation, while Montana was the one state of the Union to show a decrease.

The flourishing wholesale houses of Minnesota, in grocery, hardware, and dry-goods lines, extend their influence all the way west, through Montana, and have been saved from serious encroachment of competition east and south, because the directional flow of traffic is so distinctly east and west, and the great bulk of supplies to this region from eastern markets must of necessity flow through Minneapolis, St. Paul, and Duluth. Other market centers of less importance are those of Winona, Minnesota; Fargo, Grand Forks, Minot and Bismarck, North Dakota; Aberdeen and Sioux Falls, South Dakota; Billings, Butte, Helena, Great Falls, Havre and Miles City, Montana; and Casper, Wyoming.

9. *The Middle West.*—The Corn Belt. Hogs. Center of airplane manufacture. Rolling prairies. Level plains. Majestic mountains. Pike's Peak, and forty others, more than 14,000 feet high. The

fur center of America. Soil several hundred feet deep. Horses. Mules. Cattle. Wheat. St. Louis, Kansas City, Denver—distributing points of the central western region. The sugar beet center of America. Great mineral wealth, oil, gold, iron, silver, tungsten, coal.

From the Mississippi River, this region reaches westward over fertile and well-watered prairies, through the great plains (which get only one-quarter of the rainfall of the eastern half, but are underlain with a sheet of subsurface water) to the Rocky

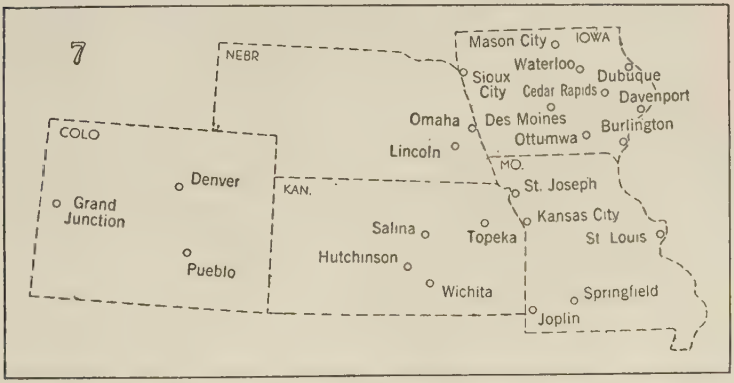


FIGURE 19—THE MIDDLE WESTERN STATES, WITH PRINCIPAL TRADING CENTERS

Mountains of Colorado. It is traversed by many rivers, including the Missouri; but in Colorado the waters divide, some flowing into the Pacific, and some into the Atlantic by way of the Gulf of Mexico. The chief mineral wealth is in the Ozark region of Missouri, wherein are located the most important lead

deposits of the country; in Kansas, where some of the richest oil fields have been developed; and in Colorado.

This is the agricultural heart of the United States, with substantial industrial activity now, and a promise for great development in the future.

There is a wide range of climatic conditions throughout the corn belt. The chief characteristic is heavy rainfall and high temperatures during the summer months, the mercury often rising to 100 degrees. Iowa has shown a 160-degree range of temperature in the records of the Weather Bureau, from a maximum of 113 degrees to a minimum of 47 below zero.

10. *The people and markets of the Middle West.* —Many lands have contributed to the population of this section. Four racial units have gone into the making of Missouri, alone—the French, who are still a conspicuous element of St. Louis and other river cities; a wave of immigrants from the southern states; an influx of Germans after 1845; and the Irish. The people of the great plains are descendants of those who were necessarily constituted to cope with seemingly insurmountable difficulties and to overcome them. Nebraska was originally looked upon as a great desert. The people turned it into a state of thriving farms. It was originally almost totally without trees. The people invented Arbor Day and gave a tree-planting habit to the rest of the nation.

Pioneering people are not afraid to think for themselves. Kansas pioneered many new movements, looked upon as freak ideas in their early days, then soberly adopted throughout the country—such innovations as the Blue Sky Laws, woman's suffrage, and the abolition of common drinking cups and towels.

In this section, the relative importance of towns as markets and wholesale centers must not be judged on the basis of population. Hutchinson, Kansas, with a population of only 25,000, occupies a more important position in this region than does Erie, in the state of Pennsylvania, with over 100,000. Like the region to the north, this district has not shown substantial gains in population during the past ten years when compared with the rest of the United States. The chief gain, 10 per cent, has been made by Colorado, and this is more than one-third below the average.

The chief market centers are Des Moines, Omaha, St. Louis, Kansas City, Wichita, and Denver. Iowa presents several other important jobbing centers, including Davenport, Cedar Rapids, Waterloo, Burlington, Ottumwa, Mason City, and Sioux City. Nebraska has only one other than Omaha, namely, Lincoln. Springfield, Joplin, and St. Joseph serve the southwestern and northwestern corners of Missouri; Topeka and Salina, the northern sections of Kansas, and Hutchinson, the southwestern section. Pueblo, Colorado, serves a large but sparsely popu-

lated area, embracing the southern part of Colorado and the northern counties of New Mexico, while Grand Junction is the market center of western Colorado and eastern Utah.

11. *The Southwestern states.*—The oil center of America. Texas—eight hundred miles from east to west, with one-sixth of the world's supply of cotton

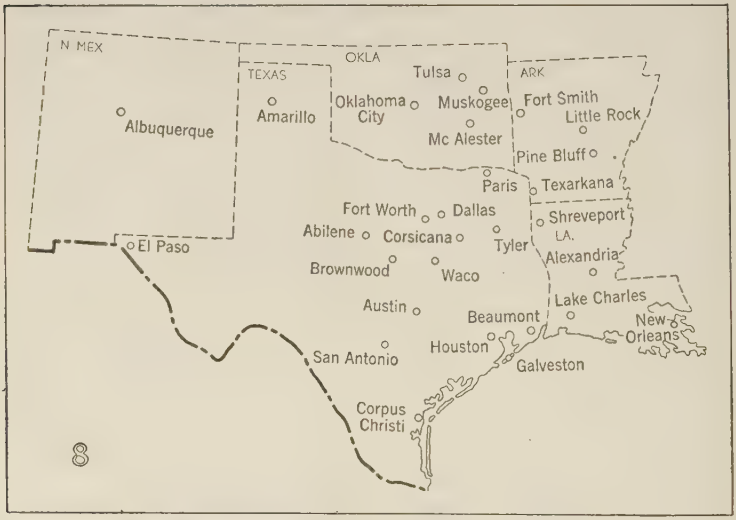


FIGURE 20—THE SOUTHWESTERN STATES, WITH PRINCIPAL TRADING CENTERS

and two billion feet of yellow pine production yearly. Louisiana—the "Holland of America," with rivers higher than the land and only four out of the sixty-four "parishes" without navigable water. Largest saw mill in the world—one million feet per day capacity. Oyster crop second only to Chesa-

peake Bay. Most rapidly growing section of the trans-Mississippi region.

The chief characteristic of this section is its spaciousness. Of Texas it is said that "if all of the people of the United States were put into Texas, it would scarcely be two-thirds as crowded as England." With so wide an area it is not surprising that one finds every variety of land and climate—the Ozark Mountains of Arkansas, settled largely by the mountaineers of Tennessee and Kentucky; the swamp lands of Louisiana; the grain lands of Oklahoma; the black lands of central Texas, and the arid plains of the West. Texas alone has as wide a range of climates and plant and animal life as exists between the states of Connecticut and Florida on the Atlantic Coast. When it is freezing in the Panhandle, subtropical fruits are growing in abundance in the Rio Grande Valley to the extreme south.

Mineral wealth prevails throughout the entire region. Here is the center of the mid-continent oil field, producing one-third of America's supply. Nearly all of the sulphur of the United States comes from deposits in Texas. Quicksilver, lead, iron, copper and silver are also mined in Texas. Lumbering is a great industry in Louisiana, Arkansas, and Texas. The curving coast line of the Gulf has several great harbors. New Orleans is the second port of the United States, with prospects of becoming the trade link between the Mississippi Valley and South America.

12. *The Southwestern people and markets.*—Of all the trans-Mississippi section, this is the only part that is showing a growth in population commensurate with that of the United States. Texas was sixth in increase in population in the 1930 census. Oklahoma and New Mexico were materially ahead of the average, and Louisiana was slightly above average. Only Arkansas fell below. While the great increase in Texas, nearly 25 per cent in ten years, is largely attributable to the oil development, the various other activities of the state have contributed.

This region has a strange mixture of racial and nationality influences. Louisiana, more than any other state, shows the evidence of early French occupation. The proportion of negroes is high. Oklahoma has relatively few negroes for a Southern state. In some parts of Texas more than half the population are negroes, while in other parts they are entirely absent. The same is true of the Mexicans. There are sections, particularly in the Rio Grande district, where more than half of the inhabitants are Mexicans, and other parts in the north, where none at all will be found.

Industry is sufficiently diversified, particularly in Texas and Oklahoma, so that business is not quite so sensitive to specific crop conditions as it is in the regions to the east.

All of these trans-Mississippi states have been the happy hunting grounds of the big mail-order houses. Nothing testifies more eloquently to the fact that the

markets of this region have moved closer to their people, through the influence of increasing population, automobiles, and good roads, than the action of these mail-order houses in establishing retail stores. Before they had launched into the retail store business, however, they already had huge warehouses and distributing points at such strategical locations as Dallas and Minneapolis. These were the last frontiers in the battle of the chain stores against the independents, the chain stores having sprung up in thriving numbers on the Pacific Coast before attaining their present influence in these farming states.

Principal trading centers are Little Rock, Pine Bluff, and Fort Smith in Arkansas; Oklahoma City and Tulsa in Oklahoma; Dallas, Fort Worth, Houston, San Antonio and El Paso in Texas; New Orleans and Shreveport in Louisiana. Aside from these, there are: Texarkana on the border of Texas and Arkansas; McAlester in southeastern Oklahoma; Amarillo in the Texas Panhandle; Abilene and Brownwood in western Texas: Austin, Waco, Corsicana, and Tyler in the black land belt of central Texas; Corpus Christi, Galveston, and Beaumont along the Texas Gulf coast. In Louisiana, Lake Charles to the southwest and Alexandria in the central part are also valuable distributing points. New Mexico has but one marketing center of importance, Albuquerque, near the center of the state. With all of its vast area and natural resources, this entire state, whose area is twice as great as that of all New Eng-

land, has a population only equaling that of the single city of Minneapolis.

13. *The North Pacific states.*—America's last frontier. A third of the lumber production of the United States, more than that of all the southern states put together. One of the rainiest regions in

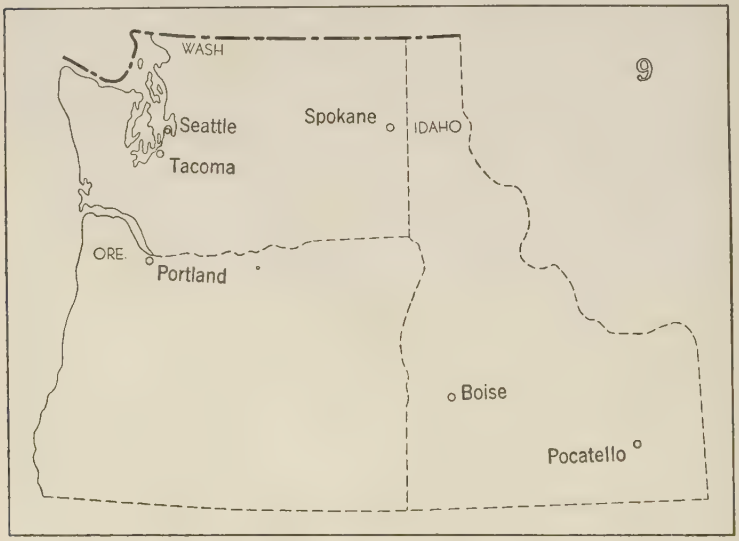


FIGURE 21—THE NORTH PACIFIC STATES, WITH PRINCIPAL TRADING CENTERS

the world. Salmon. Apples. Idaho potatoes. Flourishing cities with enterprise enough to move mountains to get them out of the path of progress. Other mountains that cannot be moved. A climatic anomaly—roses the year round in a latitude of northern Maine. Fast growing with room enough for generations of future growth and resources

ample enough to supply all the necessities of life.

Both land and climate are remarkable. This region demonstrates, as does no other, the insecurity of reliance upon the map. On the map, Washington and Oregon are two of the northernmost states of the country. One expects the temperature of Wisconsin and Maine, but finds, instead, a region where flowers grow the year round and where freezing temperatures, even in the dead of winter, are rarer than in North Carolina or in Tennessee. This is due to the currents of the Pacific Ocean which, like the better advertised Gulf Stream of the Atlantic, modify the temperatures along the coast.

These conditions prevail only in the western part, for in Idaho the map can be relied upon again, and the temperature has been known to fall to 28 degrees below zero and to rise to 121 in Boise. However, Boise is well fortified against these drops in temperature, in that nature has placed a hot-water heating system at her door, and water from hot springs is piped into houses for winter heat.

Of all these states, Oregon is most truly termed the "last frontier." Here is a state nearly as large as the states of New York, New Jersey, and Pennsylvania combined, with less than one million population, with over thirteen million acres of government forests. Estimated standing timber in these forests in 1926 was more than 138 billion board feet. Washington, with about half the lumber production of Oregon has, in addition, important mineral wealth

under active development. The Puget Sound region supplies coal to all the Pacific states. The Puget Sound provides splendid harbors and on its shores are reared some of the most progressive cities of the entire Pacific Coast.

Inland from the Cascade Mountains are areas not so favored with rainfall as those on the Pacific slope, where great irrigation projects have supplied the deficiency in a large measure. One of the greatest resources of this region is its "white coal"—developed and potential water power. The potential water power available in this area is nearly half that of the entire United States.

Idaho is one of the rich mining states of the Northwest, being among the leading states in the production of silver and lead. Its lumber industry is active and its orchards and farms are famous throughout the country. The Idaho baked potato has made a name for itself equal to that of the Long Island duck.

14. *The people and markets of the North Pacific states.*—The people of this region are, for the most part, enterprising, industrious, and thrifty. They have come mainly from the Eastern and Middle Western states. The foreign-born element is the lowest of any of the ten regions under consideration, as is also the percentage of negroes. Home ownership is higher than in any other section except that directly to the east. The growth of population has been at a more rapid pace in both Washington and

Oregon than throughout the country. Idaho, on the contrary, has been one of the laggards in point of growth.

Throughout all this vast area there are only six cities that are recognized in the "Atlas of Wholesale Grocery Territories" as primary market centers. These are the neighboring cities of Seattle and Tacoma in the Puget Sound district of Washington, and Spokane in the eastern part, serving most of Washington and northern Idaho; Portland, which is the trading center of all of that part of Oregon that is settled; Boise and Pocatello, Idaho.

While the North Pacific region represents less of a market, in terms of population, than the single state of Indiana, it is a coming market, and one that in spite of its size is comparatively easily covered through its well-centralized points of distribution.

15. *The South Pacific states.*—California, the second largest state, with the longest reach from north to south. One thousand miles of sea coast. Trees twenty stories high. Yosemite, the highest falls in the world. Utah—the Great Salt Lake and the promised land that the Mormons found. Grand Canyon of Arizona. Golden Gate—New York harbor of the Pacific with modern improvements. The tallest mountain in the United States—the lowest inhabited and cultivated valleys. Fertile farms below sea level. Mountains of copper. Inexhaustible mineral resources. The multitude of products of the soil that have made California famous. Los Angeles

—the city with seven league boots. Hollywood—center of the greatest of the new industries. Far and away the fastest growing section of the United States, if not of the world. Still, with all its mag-

FIGURE 22—THE SOUTH PACIFIC STATES, WITH PRINCIPAL TRADING CENTERS

nificence and promise, barely equal as a market to the state of Ohio, which would be lost within the borders of any one of the states comprising this area.

16. *The land and climate of the South Pacific states.*—Much heralded as is the climate of California and Arizona, there is little that can be said about it

further than to remark that, on almost any day of the year, all of the climates in the United States can be duplicated in California alone, to say nothing of the rest of this region. One may work coatless in San Francisco, perspiring under the warm Pacific sun and, as did the writer on one occasion, step off the train the next morning in Winnemucca, Nevada, in a temperature 22 degrees below zero. Or one may travel from the Imperial Valley, where rain is seldom seen, to San Diego, just the other side of the mountain, to find bridges washed out by the floods of the rainy season. One may bask on the sands of Long Beach in the morning and in the afternoon engage in snowballing on the top of a neighboring mountain.

The lands and their products are no less diversified than the climate. Two great ranges of mountains parallel the coast line of the state of California, sheltering between them what is known as the Great Valley, 400 miles long, and only broken down at the Golden Gate. Farther south are the San Fernando, the San Bernardino, and the Imperial valleys. The latter was once an arm of the sea and most of its land is below the original sea level which clearly marks the surrounding mountain. To the east are Death Valley and the arid lands of Nevada, Utah, and Arizona, rich in scenic beauty and in natural resources, but made habitable for the most part only through irrigation.

The diversity of products is realized upon observ-

ing some of those that are most in evidence as one passes down the state of California, from north to south—copper, gold, lumber, grapes, hops, iron, olives, beets, oranges, walnuts, almonds, prunes, cattle, salt, lemons, sugar beets, borax, and oil. Here is the second greatest oil field in the country. The Imperial Valley is the one region in America where date palms can be successfully matured. In Palm Canyon are the only indigenous palms in the United States.

The types of industry prevailing are indicated by the products just listed, but in addition to these extractive industries, a wide variety of manufactures is constantly increasing and broadening. Many important manufacturers in the East, partly with an eye to future development, have found it advisable to locate branch plants on the Pacific Coast. One of the things encouraging this movement, and the development of various branches of manufacture by the Californians themselves, is the prevalence of cheap electric power, due partly to the fact that California has been progressive in the development of its great water resources.

17. *South Pacific people and markets.*—To speak of the people of this region is to speak largely of those of California, which accounts for more than 85 per cent of the population. Probably one of the first characteristics that impresses a visitor is the unbounded loyalty to California. The "native son" spirit runs high. California-made products, other

things being reasonably equal, get the first call—another reason why Eastern manufacturers, when they can afford to do so, establish Pacific Coast factories. Californians are enterprising, but, particularly in the southern part where the greatest growth is taking place, they are more ambitious than energetic. An Easterner, freshly arrived, will display a great deal more vigor for a few weeks than the "old-timers" with whom he associates, but he soon finds that the climate compels him to slow down to the pace that they have taken. The people are not nearly so thrifty as those farther north, as shown, for one thing, by a lower percentage of home-ownership. Living is so much easier that they do not have to work so hard. The family in the East or North has to earn enough to pay for food, shelter, and clothing. In southern California much of the food is cheap, less clothing is needed, little or no fuel and not nearly as substantial homes.

The rate of growth of this region has far exceeded that of any other in the country. California alone increased nearly two-thirds in population between 1920 and 1930. Every one of these states advanced more rapidly than the rest of the country. However, Arizona, Utah, and Nevada, in combination, have a population only slightly in excess of the smallest state in the Union, Rhode Island. The whole state of Nevada, indeed, offers a market, in numbers of people, no greater than that of the city of Waterbury, Connecticut.

The chief cities of California are San Francisco, Los Angeles, Sacramento, and San Diego. San Francisco, as a distributing point, claims as tributary territory nearly one thousand miles of the Pacific Coast, from the center of Oregon down to Santa Barbara. Sacramento supplies the northern and interior part of the state; Los Angeles the southern, with the help of San Diego. Fresno governs the territory in the Great Valley in the central portion of the state. Salt Lake City is the distributing point for most of Utah and parts of Nevada. Arizona's sparse population is served largely by five cities—Phoenix, Flagstaff, Globe, Tucson, and Douglas.

REVIEW

Describe the climatic variations prevailing in the Central states.

Name the Central states showing greatest gains in population by the 1930 census.

Name the characteristics making the Central states a good market.

Briefly summarize, as to land, climate, industries, people, and markets, the trans-Mississippi areas:

(a) The Northwest
(b) The Middle West
(c) The Southwest
(d) North Pacific states
(e) South Pacific states

CHAPTER XIII

HOW GEOGRAPHY MODIFIES MARKETING POLICIES

1. *Geography, merchandising, and marketing.*—A correct point of view with regard to the geography of markets, with particular respect to the wide diversity of conditions that characterize different areas and the differences in the economic requirements of such areas, will not only materially affect the marketing man's thinking with respect to his job, but may even modify or qualify his definition of the term "merchandising." Melvin T. Copeland has defined "merchandising" as including "the determination of what goods to produce in order to meet actual or potential demands, what changes to make in existing products, what styles or finishes to provide for, what methods of packing to adopt, what products to discard, and what quantities to make."

Unfortunately, the terms "merchandising" and "marketing" are frequently used interchangeably. If the foregoing definition of merchandising is to be accepted, it must be recognized that marketing begins where merchandising leaves off. Both are greatly influenced by geographic factors. We may consider merchandising as the function of making the

goods to fit the market, and marketing, as that of finding or making the market to fit the goods.

2. *Geographic considerations in merchandising.*— In his merchandising function, the manufacturer will usually be limited as to the number of styles, finishes, sizes, or kinds that he can economically produce. The manufacturer of ginghams will produce a wide variety of patterns. The manufacturer of dresses made from ginghams may also have a wide range of numbers or styles. The manufacturer of a tooth paste, at best, can have only two kinds, like Iodent, and will seldom have more than two sizes. Even with the manufacturer whose line of products must essentially embody variety, the trend is toward simplification and standardization.

In this determination of what goods to produce to meet actual or potential demands, the merchandising executive must, of necessity, determine the demands by different geographic areas. If he has sufficient manufacturing flexibility to be able to produce different kinds of goods for different sections, according to their specific demands, he has only to determine whether each sectional demand has sufficient volume to justify the development of a product especially to meet it. On the other hand, if the manufacturer has no manufacturing flexibility, but must, perforce, confine himself to a single product or a restricted line, he must arrive at something approaching an average, in his definition of the demand. This average should be weighted according to territorial sig-

nificance. It may be more profitable to make a product that will sell in greater volume to the territory immediately at hand than to produce one that does not fit the needs of that territory quite so well, but which is more in line with the average requirement of the entire country.

On the other hand, there are many products which cannot be changed at will to meet varying requirements or preferences on the part of the market. In that event, the important task becomes that of finding where the people are who want the product in the form that the manufacturer can most profitably produce it, or the people who, through advertising and selling influences, can be made to want it.

3. *Production must be preceded by investigation.* —When considering the market possibilities for a new product, and whether or not to embark upon its production, an unfavorable or negative decision can be reached on the basis of much less evidence than is required for an affirmative decision. Only one thing needs to be wrong in order to cause the management and its bankers to shake their heads and to put back their money in their pockets. Too much competition, destructive price-cutting, sales resistance, or service requirements, or too little of a number of other things may easily induce a negative decision.

Even if none of these negative factors presents itself, it would be an unwise management, indeed, that would begin production without an exploration of the sales possibilities of the product, territory by

territory, and in relation to each of the geographic and economic factors that have been reviewed. Many times a tentative decision to proceed with the development of a new product is abruptly reversed when the investigation of the market gets down to finer details.

Before actual operations are begun, it is necessary to determine what particular type of product to make; how, when, and where it can be sold to the best advantage, and how rapidly the sale can be extended. Each of these considerations is dependent upon the actual or potential requirements of the market, which will vary with differing geographic influences.

A new product must be: (a) a new make or brand, or an improved variety of something that is already on the market; (b) a product that is intended to replace or supplement something that already exists; or (c) a complete innovation, or something that opens up an entirely new market, like the radio at its inception, or the first safety razor. Pioneers have to speculate to a large extent, whereas, if the contemplated product is in either of the first two classifications, its projectors can profit from the experience of others by studying the existing markets for either the type of product they are going to make, or the type that they expect to replace. Too frequently such products are launched, in the first blush of enthusiasm, without sufficiently searching study to provide those economies in operation that must later be learned if the business is to survive. It remains true that "an ounce of prevention is worth a pound of cure."

4. *Analyzing the consumer market.*—Let us assume that we are projecting a new shaving cream. We recognize that the field is already crowded, but are attracted to it either by the profits that others have made, by superior merit in our type of product, or because of the advantage that we have in the standing that our house has already established.

Our first consideration is given to the size of the market, although we know, without much investigation, that the market is big enough if we can only get our share of the business. However, our projected product will compete more closely with certain types or kinds that are already on the market than with others. It also presents a new appeal, otherwise we would not be considering its introduction, and that new appeal may attract some new users entirely apart from those we have to take away from competition. There are, for example, several thousand young men who will be shaving this week for the first time, and who are, therefore, not adherents of any present make of shaving cream and quite disposed to try out innovations. If we can get our share of this business, alone, we shall do very well.

We shall find, if we pursue our investigation far enough, that the size of the market varies in different parts of the country, or, in other words, that the potentialities in proportion to population are much greater in some sections than in others. This variation is plainly due to geographic influences of some sort, and it is up to us to discover them.

5. *Market appraisal* vs. *market analysis.*—There are two main divisions of market research, both important and useful, but often sadly confused. One is the appraisal of the market, or the determination of its size or capacity for absorbing merchandise. This is a measurement task. It calls for an accumulation of all of the statistics that can be gathered from reliable sources with regard to actual and possible consumption.

The other division of research is market analysis. This is a matter of determining the characteristics of the market—what kinds of people do and do not buy the merchandise; how it is bought, sold, and used; what are the sales opportunities to be seized upon and the sales obstacles to be overcome.

It is plain that the first of these is a quantitative study and the second a qualitative one. These two kinds of research call for entirely different working methods and meet entirely different requirements. A lack of recognition of this fact is likely to lead, and frequently does lead, to expenditure of time and effort in market appraisal when market analysis is what the situation requires.

Market appraisal, or the determination of actual or potential sales, is particularly necessary when a new product is launched or projected and the promoters need to know how big an enterprise they have ahead of them. There is more need for market appraisal with respect to products that have a natural restriction as to their use, so that the number of pros-

pective purchasers is definitely limited, and for products that have little or no repeat possibilities, when a sale once made takes a customer out of the market for many years or for all time. A manufacturer of electric refrigerators, for example, needs to know very definitely how many families or institutions there are that can afford to buy his equipment and how many have already been sold, since the purchaser of an electric refrigerator will not again be a prospect for one for many years, if ever.

On the other hand, the manufacturer of those products that are consumed and therefore require replacement, such as food and clothing, or which, being bought, do not exhaust the requirement for a similar product but may rather stimulate repeat purchases, usually needs to know the facts regarding the character of his market much more keenly than those respecting its actual or possible size. Market appraisal is frequently overdone to the neglect of very necessary work along the line of genuine market analysis.

6. *An illustration of market analysis.*—We are particularly concerned, to resume our illustration, with the character of the market for shaving cream, for that will determine what kind and how much sales work we shall have to do and, in large measure, our selling and advertising appeal. Shaving habits, with regard to frequency and choice of razors and creams, differ with the texture of the beard, the occupational requirements as to personal appearance,

tenderness of the skin, the amount of exposure to weather, and other considerations.

We shall find an entirely different kind of market for our shaving cream in the cities than in the small towns and rural districts. It will be much to our advantage if we can determine, in advance of the introduction of the product, which of these markets is most favorable for us. Our entire sales structure will be affected by a decision to concentrate on the cities, or to give particular attention to the small town and rural business. The decision one way or the other will call for differences in sales organization, in plan of distribution, in the choice of advertising mediums, and in advertising appeal. Climatic considerations affect shaving habits and the choice of shaving cream. Some creams change their consistency with the temperature to such an extent, that a considerable handicap is placed on their sale in certain climates. One was taken off the market in the United States because of this consideration, although it enjoys a satisfactory sale in Canada.

7. *Studying the competition.* — Entering this highly competitive market, it is particularly important for us to study the kind and amount of competition throughout the different sections of the country. We must not judge this purely on the basis of the drug store distribution. There are products that have practically a perfect distribution, due to the fact that they have sufficient use in every market to make it necessary for every dealer to carry them,

but their per capita sales will show pronounced contrasts in different sections.

We cannot with very good grace ask our competitors to give us these figures, so, if we get them, we must resort to market research and secure them as accurately as possible from the trade and from consumers. There is no way of obtaining complete or exact figures, but we can obtain a sufficiently significant indication of the variations in sales by different zones or territories, population groupings, sizes of towns, and industrial conditions.

It is a matter of company policy and disposition, whether competition as a whole, or certain individual competitors, shall be given much or little attention in the actual direction of sales operation. That depends, also, upon the competitive advantages or disadvantages of the company. If it is a leader, its activities will not be governed very much, in all probability, by its competitors. If it is a trailer, rightly or wrongly—usually wrongly—it will be disposed to follow the lead of its chief competitor.

Whatever the policy or disposition in this respect, competitive activity may be ignored in marketing operations, but it cannot be ignored in marketing intelligence. As far as geographic aspects are concerned, competition has certain natural advantages or handicaps, and others that have been acquired. The competitor is, or ought to be, at an advantage in his own home territory. He certainly has the advantage of close contact and lower cost of coverage.

On the other hand, he may be at a distinct disadvantage because of hostile local sentiment. Competition will also have an advantage in territories where it has been longer established, where it has had better opportunity to acquire the friendship and loyalty of dealers and consumers.

8. *Competitive adaptation to territories.*—Competitive advantage is also obtained through a greater adaptability of the competitive product to the requirements or tastes of a given territory. Thus, a quality product selling at a high price will find itself outdistanced in "cheap" markets by the makers of lower priced goods. The producer of baked beans may find that his competitor's beans, because of having a different flavor, "take on" a great deal better in a certain section of the country than in his own. The manufacturer of the truck or passenger car with pronounced hill-climbing capacity will give his competitors more trouble in Pittsburgh or Altoona than in Buffalo or Erie, other things being equal.

A manufacturer with national or sectional distribution will find himself confronted with two kinds of competition, both of which vary in strength and frequency, to a great extent, by territories. The first is national, or sectional competition, and the second is local. The paint business again affords a good illustration. The manufacturer of paint who is doing a national business is first of all in competition with a great many other manufacturers, likewise doing a national business, but each of these will be strong in

some territories and weak in others, possibly for one of the various reasons just discussed. A part of the national or sectional competition will be from mail-order houses, both the large mail-order houses who sell all types of merchandise and the paint companies who sell exclusively by mail. Then, in certain cities—and in the paint business this means a large proportion of the larger cities—the manufacturer will have to meet local competition, both in the form of small local manufacturers and in dealers' private brands.

9. *Variations in competitive strength by territories.*—The variations in the strength of competitors in different territories need to be observed from several points of view. First and most important, of course, is with respect to the consumption or amount of use of the competitive product. A product may have no more distribution in one market than in another and still have a much heavier sale, due either to the fact that it has more users or that it is used more frequently or more liberally by those who do use it.

The strength of competition in its distribution in various territories is of particular consequence to those manufacturers who, like the paint people, the range and furnace companies, or the makers of electric utilities, are battling for dealers. The organization strength of competitors, or the amount of sales activity will also be observed by the sales manager who is on his job.

10. *Choosing the introductory points.*—If we have made our investigation with sufficient care and thor-

oughness, we should now be prepared to select our introductory or test territories in which to prove, through actual sales work, the soundness of our conclusions. We should also have tentative plans formulated as to the directions in which the sales work will be extended when the test campaigns have fulfilled their functions in the development of effective and economical working methods.

As has been previously observed, in general terms, nothing is more important, in the introduction of a new product, than the wise selection of the introductory or test territories. Whether it is deliberately intended or not, the results of the introductory work, particularly if at all negative or discouraging, will go a long way toward determining the future of the product. If the test does not actually determine whether or not to proceed further with the product, it will at least qualify the judgment of its promoters as to the results that may be expected and the character and amount of sales work and advertising that can be afforded. In spite of this, it is an all too common practice in business to select such introductory territories on the basis of a snap judgment or of only casual and superficial analysis.

Let us consider here what some of the factors are that enter into the qualification of the territory or town as a good introductory or test market. As a rule, such introductory points are cities rather than trading areas or territories, although frequently consideration is given, as it always should be, to the trad-

ing area as well as to the city it surrounds. If the manufacturer is particularly interested in the rural or farm trade, the selection of the city will be, of course, secondary to the consideration of the country surrounding it.

Much will depend upon whether the company making the introduction has an already established sales organization and standing with the wholesale and retail trade. If it has, the qualifications of the salesmen and the trade are very likely to overshadow all other considerations in picking the territory. In that case, the success or failure of the introduction is more likely to be laid at the door of the salesman than to be attributed to the characteristics of the territory.

11. *Do not pick metropolitan centers.*—While there may be exceptions due to peculiar economic or competitive considerations, as a general rule it may be said that metropolitan centers should not be chosen for introductory territories. Such markets are not fair testing grounds, because they are too large. The successful introduction of a product in New York, Chicago, Philadelphia, or Boston is no criterion upon which to judge the probable success in other large cities, to say nothing of the opportunities in smaller cities. Failure of such an introduction is more likely to be attributable to imperfect organization or technique than to the responsiveness of the market. Such cities are the most formidable commercial fortresses of the national market, which no wise general will

attack with unseasoned recruits. One of the purposes of test campaigns is to prepare for the siege of just such strongholds as these. Many a manufacturer has lost the battle of New York, or given up the siege of Chicago, to discover that he has suffered a decisive defeat. Such markets, once lost, can seldom be regained.

Again, the dominating market center, such as Boston, New York, Philadelphia, Chicago, St. Louis, or Kansas City, has too widespread an influence to provide a sufficiently restricted territory for test purposes. It draws trade from too wide an area, the newspapers circulate too widely, and its wholesalers cover too much territory.

12. *Qualifications of a test market.*—The test market should qualify in the following respects:

(a) It should be large enough to supply all the necessary elements for a real test of the merchandise and the merchandising effort.
(b) It should be small enough for intensive sales work and intelligent observation and analysis of sales results.
(c) It should be a well-detached trading center, not tributary, to a material extent, to any larger or more important center.
(d) It should have good newspapers.
(e) It should have good stores.
(f) It should be economically workable from a physical standpoint.
(g) It should be in at least fair condition with respect to current industrial and economic conditions.

These are considerations applying to the selection of a single test market. But a single test is seldom adequate, and, as a rule, a limited group of such test markets should be selected. In that case it is wise to distribute these points, all chosen with such requirements as the above in mind, in such a way as to provide a representation of various geographic sections of the country, so that the contrasts in the responsiveness of people living in different parts of the country under different climatic and geographic influences may be observed.

The foregoing requirements will immediately rule out such cities as Boston, Pittsburgh, Cleveland, or Detroit, on the score of their being too large, except in unusual cases. It will eliminate such cities as Brockton, Bridgeport, and Camden, on the score of their being dominated by more important market centers immediately adjacent. It will rule out such cities as Grand Rapids and Akron, because of their domination by a single industry—furniture and rubber, respectively.

Good test markets that conform to the foregoing definitions would be such cities as Springfield or Worcester in Massachusetts, Hartford or New Haven in Connecticut, Syracuse or Binghamton in New York, Harrisburg or Reading in Pennsylvania, Dayton in Ohio, Kalamazoo or Jackson in Michigan, Fort Wayne or South Bend in Indiana.

13. *Testing alternative sales plans.*—If alternative selling plans are to be tested, and this is fre-

quently an important object, a separate group of markets should be selected for each plan. Particular care must then be taken to choose the markets in which the contrasting plans are to be employed in such a way that they will be as comparable as possible with respect to their industrial and economic characteristics, size, and general geographic location. Failure to control these variables, when different selling plans are being tried out, often results in making such tests entirely worthless.

If, for example, one type of selling or form of advertising is employed in Syracuse and an entirely different type in Harrisburg, the manufacturer has no means of knowing whether the difference in the results is attributable to the type of the campaign or to the nature of the territory. If these facts are borne in mind, it will be recognized that intelligent tests cannot be made without careful organization and a discriminating choice of the points at which they are made.

REVIEW

Explain: "Marketing begins where merchandising leaves off."

Illustrate the distinction between market appraisal and market research.

Name the types of products requiring more use of market appraisal than of research.

Show how geographic factors enter into the manufacturer's study of his competition.

State the requirements of a good test market.

What cautions must be observed in choosing test markets for alternative sales plans?

CHAPTER XIV

HOW GEOGRAPHY MODIFIES MARKETING POLICIES (*Continued*)

1. *Modifying the product to fit geographic conditions.*—The sales manager may or may not have a great deal to do with determining the nature of the product, but at least he needs to know how well his product fits the requirements of the market or markets to which he sells. Suppose he is selling laundry soap. The caustic content varies in different laundry soaps. The hardness of the water also varies greatly in different territories. While she seldom realizes it, the housewife does not, strictly speaking, use soap, but a combination of soap and water. For this reason, the same soap may produce entirely different results in Kansas and Massachusetts. Theoretically, the ideal procedure would seem to be for the soap manufacturer to produce a different soap formula for different water requirements. Very few, indeed, have done it, probably on account of the commercial complications. Because of this basic geographic consideration, the soap manufacturer's sales manager may have to push one brand of soap in one territory and a different brand in another.

The manufacturers of flaked breakfast foods,

when these were first developed, soon found that their products were seriously affected by atmospheric humidity. In the damp climates of the sea coast, and during the rainy seasons in other regions, the products lost their crispness and became less appetizing. Consumers were adjured, through advertising and in directions on the packages, to "heat in the oven before serving to restore original crispness," but people who buy package goods that are supposed to be ready to serve will seldom go to that much trouble. This condition placed a great handicap on sales. In shipping their product, the breakfast food manufacturers went to great lengths, even sealing the freight cars against moisture. Finally, one of them developed a hermetically sealed package wrapped with wax paper and this handicap was completely removed. A perishable product was rendered imperishable for all practical purposes. Thus, climatic conditions made imperative a revolutionary change in the product.

2. *Determining the number of users.*—It has been previously pointed out that the acquirement of increased volume for a given product is only possible by increasing (a) the number of users, (b) the number of uses, or (c) the amount of use. Different geographic areas unquestionably will provide different numbers of possible and actual users for almost any conceivable product. It may take considerable research and analysis to determine the possible number of uses. Unfortunately, a great many

marketing executives feel that their analysis is complete when they have arrived at a satisfactory conclusion as to the possible number of users, whereas, in reality, it has only begun.

The important thing for the sales manager to determine is the actual number of his users in comparison with the possibilities. This is very easy in some industries, such as the automobile industry, where registrations are available, or in connection with the records of sale of industrial appliances, or of such commodities as furnaces and pianos, where a customer is usually a prospect for a single sale and replacements are infrequent. With "repeat" merchandise, such as food, clothing, drugs, paints, floor coverings, etc., where the product is actually "consumed" or used up, the determination of the actual number of users is a more difficult process and must generally be made by that type of market investigation that goes direct to the buyers and sellers of the product for its facts. Statistics of per capita sales on such things as foods and dentifrices are often sadly misleading. They are misleading even when related to carefully determined possibilities as to the number of users of such a product, rather than to the gross population. The reason for this is that the consumption or sales figure is made up of two factors, the number of users times the amount or frequency of use.

3. *What does "per capita" signify?*—At a meeting of the National Preservers' Association, a few

years ago, there was a spirited discussion of the comparison between the United States and England as markets for jams, jellies, and preserves. Attention was centered on the statistics showing that the per capita consumption of these products in England was seven times as great as in the United States. The discussion went on until someone asked, "What does this per capita comparison really mean? Does it mean that seven times as many people in England, proportionately, are eating the same amount each of jams and preserves as in the United States, or does it mean that the same proportion of people as in the United States are eating seven times as much preserves?" No one could answer the question.

A shoe manufacturer may sell one thousand pairs of shoes in each of two equivalent districts. According to his per capita figures, the sales performances of these two districts are exactly parallel. Suppose, however, that in one district the average frequency of purchase is twice a year, and, in the other, four times a year. It follows that he is selling twice as many *customers* in the first district as in the second. If the characteristics of these two districts are really parallel, he should be able to double his sales in each, inducing the customers in the first district to double the frequency of their purchases, and bringing up the number of customers in the second district to a parity with the number in the first.

The foregoing comparison is exaggerated, of course, for the sake of illustration. When such dis-

parities exist, there are usually inequalities in the market and it is up to the marketing executive to find and define them. Analysis of the number of users in different geographic territories is not as simple a thing as it may appear to be on the surface.

4. *Increasing the number of uses.*—The number or variety of uses of any product that lends itself to employment in different ways or for different purposes will vary materially by geographic divisions. Take tractors, for instance. They lend themselves to a wide variety of uses, but the two main divisions may be said to be agricultural and industrial. Difference in use may call for different kinds of tractors, different kinds of selling, different kinds of sales representation, and different kinds of service. Obviously, the tractor manufacturer has an entirely different type of business in the agricultural regions than he has in the industrial sections of the country.

The average manufacturer thinks of his product and its uses in terms of the conditions which obtain in his immediate vicinity. If he will project his mind over other territories than that with which he is intimately familiar, he will be more likely to discover new uses for his product.

The Hercules Powder Company was asked, during the war, to turn its ingenuity toward the discovery of an economical means of reclaiming waste lands in the South, at that time covered by the stumpage of pine trees. Here was an immense field for the use of blasting powder, provided the work

could be made to pay for itself in some way. Chemists and engineers turned their attention to the requirement and discovered that the pine stumps were rich with rosin and turpentine, which could be reclaimed through a distillation process producing a by-product of much greater value than the cost of the labor and the powder required for the operation. As a result of finding a new use for their powder and a new use for the stumps which cluttered up thousands of acres of otherwise valuable land, a double benefit was achieved.

5. *Increasing the amount of use.*—Let us consider that we have the task, either as manufacturer or dealer, of selling more raincoats. The one thing that will sell more raincoats is more rain. That is something quite beyond our control, but, if we are manufacturers rather than retailers, we can control our sales work according to the various rain conditions with which we have to contend in different territories. A study of climate and rainfall becomes an all important consideration to us. We are interested, not only in the amount of rain, but in its seasonality. The territories subject to concentrated rainy seasons offer excellent opportunities to sell raincoats, and it is in such territories that sales should be pushed.

It is the same way with salad oil. We can increase our sales of salad oil by getting more people to use our oil, by inducing them to prepare a larger variety of salads, or by simply educating them to serve more salads. A survey conducted for the

Wesson Oil-Snowdrift Company revealed vast differences in the degree to which salads are an article of diet in different parts of the country. This again is due largely to variations in climate. In the North, where the winters are long and fresh vegetables are less abundant over a large portion of the year, salads are served more generally and more frequently. After we get the facts as to where salad oil is used the most, and why, we must draw our own conclusions as to which territories present the best opportunities for developing more use of salad oil, and proceed accordingly.

6. *The price as a variable.*—Economic factors frequently require different prices on the same product in different geographic areas. The most important of these factors probably is the freight rate, or the length of the haul from the source of the product to its destination. It is common to see products originating in the East quoted at a higher price west of the Mississippi, on the Pacific Coast, or in Canada. Customs duties sometimes enter into the establishment of the Canadian price of American products, and manufacturers who have a larger volume of sales in Canada usually find it desirable to establish a Canadian branch factory.

Variations in price to the trade or the consumer in different territories are frequently dictated by competitive considerations. Thus, a manufacturer on the Pacific Coast, who may be in an exceedingly favorable competitive situation in his home territory,

may be forced to sell his products in Eastern territories against keener or more abundant competition at a lower price than obtains in his own market, even after paying the extra freight.

Freight equalization is a common practice in the industries whose products are sufficiently bulky to make freight an important consideration. For example, a manufacturer in Chicago, who has to compete with a manufacturer or a group of manufacturers of similar products in New York, obviously has to deal with a higher freight rate when selling a customer in Scranton, Pennsylvania, than do his New York competitors. If the customer pays the freight, the only way the Chicago manufacturer can put himself on a competitive basis with the New York manufacturer is to make an allowance for the difference in the freight rates between Chicago and New York. In such industries, the freight equalization problem often becomes complicated and the practice is frequently abused and made a basis for destructive price-cutting on the part of certain competitors.

Variations in the price of the product are frequently established by offering units of different size. Thus there are several sizes of bottles of Listerine and several "sizes" of Chrysler cars. The small-sized "package," whether it is a drug store proprietary or an automobile, is not only required for different uses, or to meet the purses of different strata of buyers in each market, but is often an

essential in establishing any kind of a foothold in certain geographic territories. If a city or an area is established as a small package market, it is useless for the manufacturer to attempt to win the trade with a large package, even though the people may have plenty of money with which to buy and though the large package may offer a great deal more for the price.

7. *Selecting dealers.*—When the company is operating on a policy of exclusive or semi-exclusive dealer representation, the selection of the right dealer to handle the product or the line is an extremely important consideration. Knowledge of marketing geography down to its finest point is essential to a correct selection. Of course it rarely happens that the company can have its pick of the dealers in the town or in the territory.

A paint manufacturer, for example, has an exceedingly difficult task in breaking into a new territory. Because of the number of items constituting the line and the amount of inventory involved, a paint dealer can seldom afford to handle the goods of more than two or three manufacturers at the most and will usually concentrate on one, at least so far as his general line of paint is concerned. There are so many paint manufacturers that every worthwhile dealer is "sewed up" by one of them as closely as possible. The newcomer, regardless of the merit of his line, is forced to spar for an opening. If he is successful in getting one of the best dealers in the

town, it is usually because of a weakness in the position of the manufacturer already supplying him.

With a situation of this kind, a manufacturer breaking into a new territory will frequently place his goods with an unsatisfactory dealer out of sheer desperation. As a result, he is likely to get a reputation in that town for a slow-moving product, thus minimizing his opportunity to get satisfactory dealer representation at a later juncture. This sorry course of events frequently follows when the selection is left too much to the salesman and when the salesman is judged by the number of accounts he opens, or by his volume of sales.

Regardless of the ease or difficulty of opening accounts, the sales management must know the market well enough to govern and control the selection of outlets. It is not enough merely to know the names of the dealers and the accounts that they now handle. It is necessary to know the complexion of the community, its trading radius, the trading areas of the different dealers, the significance of the location of the store, and perhaps a number of other points, depending upon the nature of the merchandise. A knowledge of the transportation facilities, and how they are used, may have an important bearing upon the selection of the dealer.

The management should be in a position to decide whether the town will permit of two or more distributors without material conflict in their territories. This is not determined alone by the size of the city,

but equally by its geographic make-up. A city of only 10,000 population may have two distinct trading centers, so that the location of a dealer in only one of these would not provide adequate representation, even where a policy of exclusive representation is in force.

8. *Territorial variation in importance of different kinds of dealers.*—The degree to which different classifications of retail dealers vary by territory, in their importance as outlets for a specific product, is illustrated very clearly in one of the results of a survey made by R. O. Eastman, Inc., on consumer use of paint. This survey brought out the facts regarding the place of purchase of paints employed for the decoration of household articles. The analysis was based on the type of store at which the last such purchase was made.

The United States was broken down into ten zones, as indicated by the map on page 260. The three important types of outlets are in order of their importance—hardware stores, exclusive paint stores, and paint and wallpaper stores. Slightly more than half of all of the purchases were made in hardware stores, but, when contrasts were made by territories, it was found that the hardware store as an outlet for such merchandise increased materially in strength in the Middle Atlantic states and in the states of Minnesota and North and South Dakota, and diminished in even a more pronounced degree in the rest of the section of the United States west of the Mississippi

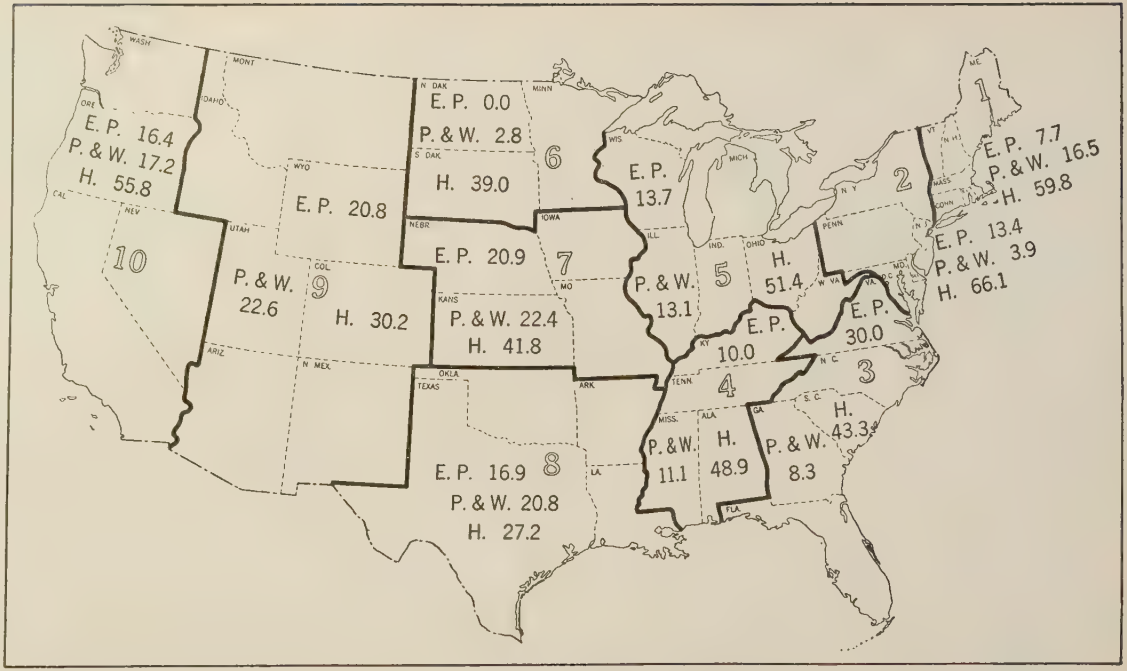


FIGURE 23—THE VARYING IMPORTANCE OF DIFFERENT RETAIL OUTLETS AS SHOWN BY A PAINT SURVEY
The figures show the proportions of the last purchase of paint by consumers covered by the survey, made in each zone, from exclusive paint stores (EP), paint and wallpaper stores (P & W), and hardware stores (H)

River, with the exception of the Pacific Coast, where they again came into their own. The exclusive paint store and the paint and wallpaper stores showed their greatest strength as outlets in the western half of the country.

The same analysis shows that while drug stores accounted for only a very small percentage of the sales of such paint to consumers in the three Atlantic seaboard groups of states and on the Pacific Coast, in the rest of the country they provided the source of supply in from eight to thirteen per cent of the purchases, their greatest strength being shown in the South Central states (zone four) and in the Middle Western and Southwestern states (zones seven and eight).

REVIEW

Explain why it is dangerous for the marketing executive to rely on statistics of per capita sales in making an analysis of markets.

Show how territorial variations must be considered when attempting to increase the number of uses for a product.

How can market research assist in increasing the amount of use of a product?

Explain how price variations are created by territorial considerations.

Show that a thorough knowledge of markets is necessary for the wise selection of dealers.

Illustrate the territorial variation in the importance of different types of retail outlets.

CHAPTER XV

THE ESTABLISHMENT OF SALES TERRITORIES

1. *Take enough care at the start.*—Few manufacturers use sufficient care in the original establishment of their marketing zones or territories, or realize the difficulty of making changes in territorial boundaries. All of the manufacturer's territorial bookkeeping, including the basis for sales projections and quotas, is thrown out of balance as soon as he tampers with territorial lines.

Adjustment and reconstruction are confusing. For this reason, if for no other, it is better to spend the time and effort in the early stages of a business to make as thorough a job as possible out of the construction of the marketing map. In the case of an established business in which territorial realignment is becoming necessary, it is far better, when such a thing is possible, to make a complete and sweeping readjustment than to attempt it piecemeal, with the constant confusion that attends the continual procession of changes.

If the marketing map is ever going to be right, that is, if it is ever to approximate the actual requirements of the business, its construction is going to entail a definite amount of labor and study. The

hardest way to go about this task, because it seems the easiest at the beginning, is the method that is most commonly pursued. This method is to take a map and, with but a casual consideration of the sales records, the distribution of trade, or the business of competitors, to cut it up into territories, into which the salesmen are sent to see how it works. This, of course, is merely an application of the trial and error method. It does not recognize the fact that every error cost money, and that waste due to avoidable errors is generally the result of poor management.

Territories laid out according to this casual method will almost certainly follow the easily selected political boundaries shown on the map, without much, if any, study of the manner in which the flow of trade has wiped out or extended such boundaries and made them utterly illogical from a sales standpoint. Almost any attempt made by students of marketing to outline logical market areas produces an entirely different kind of map than the familiar map of the commercial atlas. Scientific marketing calls for familiarity with these new boundary lines and an intelligent use of them in the construction of territories.

The easiest way, in the long run, to construct sales territories, although the hardest at the outset, is to make a careful study of the factors requiring consideration in the zoning process, and to secure and apply the facts that bear on these considerations.

2. *Zoning for market research.*—Zoning for market research presents somewhat different basic requirements than zoning for actual sales operations. For certain types of market research as, for example, the study of consuming habits in different parts of the country, broader lines or larger zones may be permissible or even necessary to establish contrasts of significance. On the other hand, a study of retail market areas may deal with much smaller zones than those of sales territories.

It is often desirable, in a market survey, to delay establishing zones until after the field investigation has been completed and the tabulation of results undertaken, for the reason that the zones can then be determined partly, if not entirely, on the basis of the ascertained facts regarding the distribution or consumption of the product. Thus, in the actual planning of a market survey, it is considered good practice to distribute interviews over a sufficiently wide area to encounter all kinds of conditions, rather than to assign investigators to predetermined zones or districts. When the latter procedure is followed, the line of least resistance is always to present the findings on the basis of such predetermined zones, whether they prove to be logical divisions or not.

3. *Tentative zoning for sales.*—In some sales operations, it is as impossible as in zoning for market research to make a logical choice of territories or to set up logical boundaries in advance of actual sales experience. This may be due to the impossibility of

determining in advance how thick or thin the market will be for the specific product in question. In such cases, tentative territories should be established until such a time as sufficient experience has been acquired to make a complete readjustment of them on the basis of the actual or potential sales, ease or difficulty of coverage by salesmen, and the amount of sales work required.

4. *Factors determining the size of territories.*— There are three main considerations in making a physical definition of the sales territory. These are (a) its size, (b) its location on the map, and (c) the exact position of its boundaries. Determination of the *size* of the territory, or the geographic area over which it shall extend, is dependent in turn upon five fundamental considerations:

(a) The amount of use of the product
(b) The amount and character of competition
(c) The density of population
(d) The trade outlets
(e) Territorial accessibility

The above are not given in their order of importance, as the relative importance of each will differ with the varying requirements of separate businesses. Some companies may not find it necessary to give the element of competition any consideration whatsoever in determining the size of the territories, while with others that may be the first consideration.

Consideration of the amount of use of the product

must generally embrace both the actual and the potential use, and the amount of use of the company's own product and of those with which it is in competition. The way this factor will have a bearing upon determining the size of the territory is also dependent, of course, upon the sales objective. If the object is to protect an established trade or to build up business with connections already established, rather than to reach out after new business, it has an entirely different bearing upon the amount of territory to be included in a single unit than if the program is one of expansion. In the latter case, the company will need more salesmen and smaller sales territories.

Density of population must always be considered in the light of buying power. The density of the negro populations of Harlem, New York, and Birmingham, Alabama, may have a close resemblance statistically, but the two sections will present entirely different kinds of markets to the manufacturers of many commodities, and will therefore require entirely different treatment in sales work and the setting up of sales territories. This is due to the different economic conditions under which the negroes live—differences in wage scale, regularity of employment, and cost of living—as well as in the trait of thriftiness.

The number of trade outlets, as a general rule, will also correspond with the density of population, but such correspondence is not to be relied upon too

implicitly. To establish a satisfactory volume of sale in one section, the company may have to sell and serve a large number of relatively small dealers, while in another the trade may be concentrated in the hands of larger dealers with a greater average volume of sale.

Accessibility is almost entirely a matter of transportation and communication facilities. These are dependent upon the topography of the country and the density of its population. Transportation facilities also have a bearing on the *shape* of the territory. In some sections of the Middle West, where the directional flow of traffic is largely east and west, sales territories may be elongated affairs, since it is easier to route salesmen from east to west along parallel lines than to attempt to route them across the traffic flow. The improvement of roads, the increasing use of automobiles by salesmen, and the development of bus lines are, however, breaking down such restrictions.

5. *Other considerations affecting the size of territories.*—Aside from these more important factors entering into the determination of the size of the sales territories, there are a number of others that will have an important bearing in individual instances. The availability of advertising mediums, such as the number of newspapers, may be a controlling consideration with certain companies. The banking facilities may well have a bearing on the size of the sales territory, particularly for commodi-

ties sold on installments. The number of schools will certainly affect the size of the territory for any article having an educational market.

The basic considerations entering into the determination of the size of territories are modified in actual application by the capacity of the salesmen. Theoretically, territories should be laid out according to the requirements of the business, and salesmen found to fit the established territories. In practice, however, it frequently happens that the salesmen are already employed and their relative capacity must be taken into consideration. It is not always possible to shift salesmen from one territory to another, although some companies do this with a reckless disregard of the salesman's comfort and that of his family. Where a policy of "playing checkers with the salesmen" is very much in vogue, the company is likely to have considerable discontent among its men and a high rate of turnover.

In most businesses, however, the human element is given such consideration that the adaptation of territories to the salesmen's capacity shows up very definitely on the territorial map. This is another reason why the territorial arrangements of different companies, even when they may seem to have practically the same requirements, so seldom coincide.

6. *Location of the territory.*—By location is meant the spot that the territory occupies on the map, and this embraces the shape of the area as well as its situation. Location of the territory, geograph-

ically, should largely depend upon homogeneity, that is, upon the uniformity, so far as such a thing is possible, of those characteristics which have a bearing upon the responsiveness of the market to the product, or upon the workability of the territory.

One of the best illustrations, on a small scale, of a homogeneous territory is a typical mining town, consisting of a row of houses, or several of them, built by the mining company to one pattern, occupied by people who work at the same occupation, and who maintain, of necessity, the same scale of living. This demonstrates, also, the fact that anything approaching true homogeneity in a territory is only to be found close to the bottom of the social scale and in the least attractive of markets. The more attractive the market, as a rule, the more complex is its structure. A territory may be carved out of a section of agricultural country in the Middle West or in the South that will be largely homogeneous in occupation, interests, and standards of living, but there will be wide variations in the size of the farms and the thrift and buying capacity of their occupants.

Any attempt to divide the United States into a limited number of homogeneous groups is always unsatisfactory, because of the impossibility of determining the homogeneous characteristics in such a way as to meet the needs of all users of the assembled data. As an illustration, the standard grouping of states by the Census Bureau is utterly illogical for

many, if not for most, commercial uses. On the other hand, if the Census Bureau were to revise these groupings, it would have little assurance that the new arrangement would meet the requirements of any larger number, and all previous statistics would be made useless for comparison. After all, the homogeneity of the most carefully determined district can be only relative.

With most companies and for most products, it can be said that the location or placing of the territory will mainly depend upon homogeneity as shown in one or more of the following characteristics:

(a) The kind of use that is made of the product
(b) Density of population
(c) Character or amount of competition
(d) Character of the market or the general characteristics of the people
(e) The commercial structures or kind of trade

These characteristics cannot be arranged in the order of their importance, which will vary with the requirements of different companies. It is probable that the most important is the character of the market as distinguished by the kind of people who dominate it. Their characteristics will be largely governed by the prevailing occupations, which in turn are dependent upon the industries and frequently upon the geographic characteristics of the land.

7. *The placing of boundaries.*—Just where the line should be drawn to divide one territory from

another is dependent largely upon natural and political boundaries and upon the limitations of warehousing, transportation, and freight rates. There is, of course, a wide variety of other considerations which may prove to be even more important in some kinds of businesses. For example, a house depending largely upon brokers or selling agents will have its territorial boundaries established to coincide with those of the brokers or agents, if theirs happen to be sharply drawn.

Nature has fixed certain boundaries so definitely, such as the sea coast and the shores of the Great Lakes, that there is no danger of man's attempting to change them. On the other hand, rivers and mountain ranges, although important in establishing political boundaries, have been bridged over or tunneled under at will. They are, therefore, legitimate commercial or territorial boundaries only when they mark real differences in marketing characteristics surviving from the earlier times when rivers and mountains were more effective barriers to commercial intercourse.

While state lines are too indiscriminately employed for territorial boundaries, they are desirable whenever there is no valid reason for ignoring or rejecting them, since they are already on the map and are easy to distinguish and define. There is the further consideration that commercial statistics are available only by political units. Legal restrictions with regard to the use of the product, or tax restric-

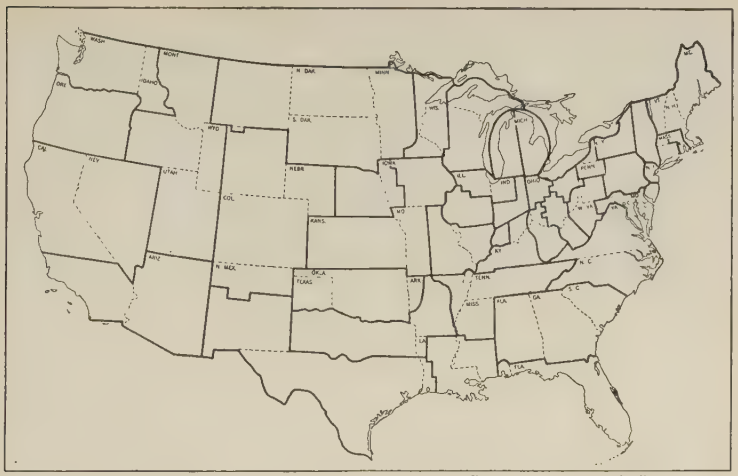
tions, may also dictate adherence to political boundaries at some points. However, very few businesses can justify a strict adherence to state lines as boundaries for all sales territories.

8. *Illustrations of territorial arrangement.*—No idealized plan of territorial arrangement can safely be adapted by a manufacturer and applied to his own business without alteration. Too many factors enter into the combination of his requirements to permit of anyone else's having exactly the same combination. Accordingly, in studying what others have done, their alignment of sales divisions or territories should be considered only as illustrative of the methods employed and the object to be served.

In a report on the arrangement and control of salesmen's territories, the Dartnell Corporation (Chicago) states:

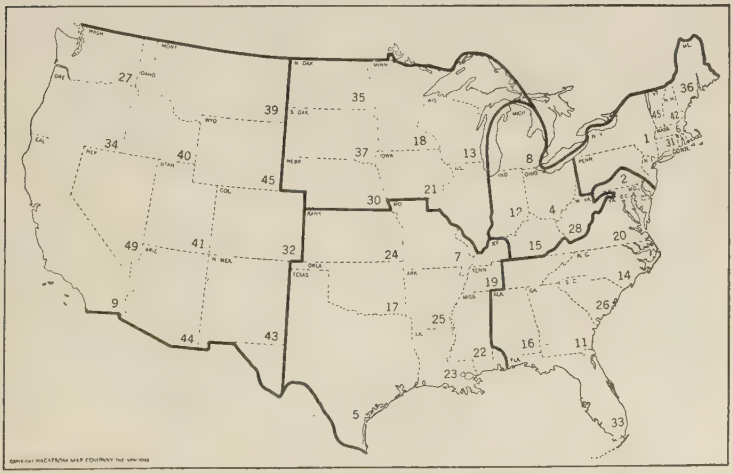
> The rule-of-thumb method of dividing the United States into sales territories is to use traditional divisions, such as the Mississippi River, the Mason and Dixon line, the Ohio River, etc. The modern tendency, however, is to assign territories according to the accessibility of the various counties to be covered. This plan should be followed, so far as feasible. Counties should not be divided except when absolutely necessary on account of the difficulty of allocating orders, even though county lines cut a town in half as at Beloit, Wisconsin, and Texarkana, Texas.

Eight territorial arrangements are given as illustrations in the Dartnell report, with varying numbers of sales divisions. Of these arrangements, we reproduce three (Figures 24–26) as examples of the



Courtesy Dartnell Corporation

FIGURE 24—A DIVISION OF THE UNITED STATES INTO FORTY-FIVE SALES TERRITORIES, AS SET UP BY AN OFFICE APPLIANCE COMPANY FOR ESTABLISHING BRANCH OFFICES



Courtesy Dartnell Corporation

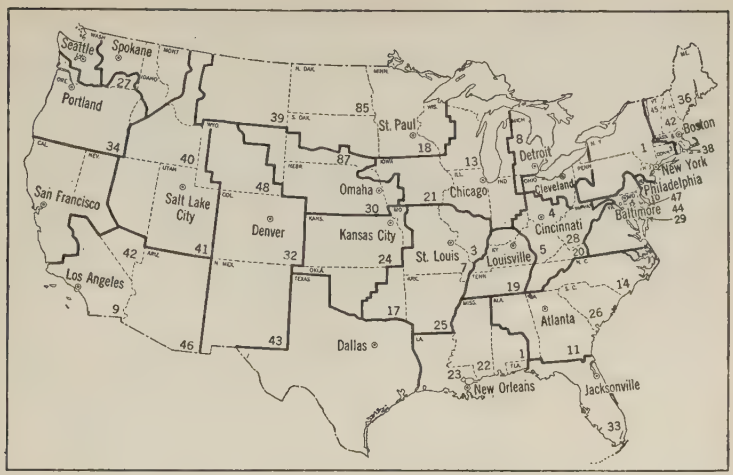
FIGURE 25—A DIVISION OF THE UNITED STATES INTO SIX BASIC SALES AREAS, AS SET UP BY A CASH REGISTER COMPANY FOR ESTABLISHING DIVISIONAL SUPERVISION

manner in which the country has been divided into sales districts or territories by a company requiring six divisions, another requiring twenty-four, and a third requiring forty-five. An illustration is also given by the Dartnell Company of a plan for districting Canadian territory. (Figure 27.)

It will be noted in the illustrations of sales territories established in the United States that state lines are departed from at several points, even in the one where only six divisions are required. Thus, division boundaries follow county lines in the states of New Jersey and Pennsylvania; the western sections of Kentucky and Tennessee are in one division and the eastern sections in two others; the section around Mobile, Alabama, is thrown into the southwestern instead of southeastern zone. The lower corner of Illinois, familiarly known as "Little Egypt," is cut off from the main body of the state of Illinois and thrown into Missouri. The western point of Texas, or the El Paso district, is made a part of the western division.

Percival White recently secured the territorial maps of fifty-one companies doing a national business. By selecting the headquarters points of most frequent occurrence and superimposing the boundaries, forty-four territories were established. Figure 28 shows the composite thus arrived at.

9. *Zoning the New York market.*—An excellent example of the development of a marketing geography for a metropolitan section is afforded by a study made for the Daily Newspaper Advertising Mana-



Courtesy Dartnell Corporation

FIGURE 26—A POPULAR ALLOCATION OF TERRITORY WHERE NO DIVISIONAL SUPERVISION IS REQUIRED, AS WORKED OUT BY AN ORGANIZATION SELLING TO FARMERS AND INDUSTRIAL PLANTS

Courtesy Dartnell Corporation

FIGURE 27—AN EFFICIENT BREAKDOWN OF CANADA INTO SALES DIVISIONS

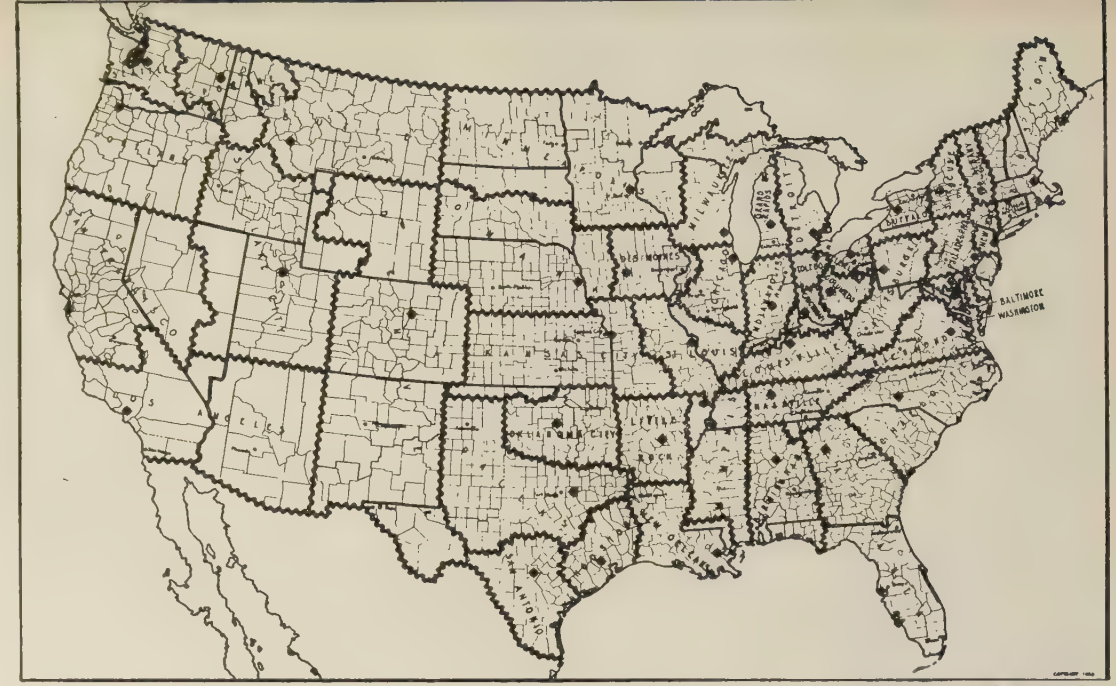
gers' Association of New York City. This Association retained the Bureau of Business Research, of New York University, to analyze the New York market by districts with respect to the density, nationality, annual expenditures, and other characteristics of the population. The five boroughs of New York were broken down into 105 districts, corresponding to the "sanitary districts" established by the municipal government.

In the canvass that was made to establish the characteristics of these districts, six classifications of average annual expenditures were established, namely, $12,000 and over; $7,500; $4,500; $3,000; $2,000; and $1,500 and less. In the final presentation of the results, these various districts were shown in three classifications: (a) those dominated by families spending $7,500 a year or more; (b) those dominated by families spending $3,000 to $7,500 a year; (c) those dominated by families spending under $3,000 a year. Owing to the complexity of the New York market, the picture that was developed resembles a crazy quilt, divided as follows:

High Group—8 districts; 79,321 families, or 6.1 per cent of total population spending $773,000,000 per year, or 17 per cent of the total annual expenditure.

Medium Group—72 districts; 807,266 families, or 61.2 per cent of the total population, spending $3,027,000,000, or 66.5 per cent of the total annual expenditure.

Low Group—25 districts; 431,207 families, or 32.7 per cent of the total population, spending $754,000,000, or 16.5 per cent of the total expenditure.



Courtesy Percival White, Inc.

FIGURE 28—A COMPOSITE OF SALES TERRITORIES OBTAINED BY SUPERIMPOSING THE MAPS OF FIFTY-ONE COMPANIES DOING A NATIONAL BUSINESS

There is little question that such a study, when conscientiously conducted, is of great value to both those who have to "buy" and those who have to "sell" in such a market. It at least presents a point of view with regard to the market which would otherwise be unobtainable. The danger lies in too liberal an interpretation or application. There is scarcely a single block in all the wide expanse of New York City in which all of the families will come within one of these broadly drawn divisions, to say nothing of a single district.

For example, let us take a bus up Fifth Avenue to Fifty-ninth or Sixtieth Street, at the beginning of Central Park. On Fifty-ninth Street, facing the Park, are the famous and luxurious Plaza Hotel, the New York Athletic Club, exclusive apartments, shops, and offices. On the corner of Sixtieth Street is the old and exclusive Metropolitan Club. Walk two blocks east to Park Avenue, on one of these streets, and you will pass a wide variety of dwelling places—rooming houses where quarters can be obtained by thrifty people at moderate prices, old brownstone front residences that have been "done over" into apartments, modern and expensive apartment hotels, coöperatively owned apartment houses and palatial buildings in which "duplex" suites may be had at rentals ranging from $6,000 to $12,000 a year. Going a block or two farther east, with almost every step the prevailing rental drops and with it, naturally, the buying capacity of the occupant.

In this section, an apartment dweller paying $300 or $400 a month may look out of her rear window upon a row of buildings in which the occupants pay one-quarter or one-fifth as much rental. There is little visiting over the back fence in such communities. A family may occupy the same apartment for years without knowing the people above them, the people below, or even the people across the hall.

What is true of this section is true of many others, not only in New York City but in the closely settled and older sections of most of the large cities throughout the country. The kind of homogeneity that enables a marketing man to label a section or a community as of a specific type or class and that produces "next door neighbors" is only found, as a rule, in the suburban sections of the cities and in the smaller towns. In the cities, certainly, and to a large extent in the smaller towns, it is unfair to generalize too broadly with respect to the dominant characteristics of specific sections.

REVIEW

Discuss right and wrong methods of constructing sales territories.

Distinguish between zoning for market research and zoning for sales.

List five fundamental factors to be considered in determining the size of a sales territory.

Explain what is meant by the location of a sales territory, and by its dependence upon market homogeneity.

Discuss the placing of boundaries for the sales territory.

CHAPTER XVI

GEOGRAPHIC FACTORS IN SALES MANAGEMENT

1. *Seeing the territory through the salesman's eyes.*—There is much that can be said both for and against the proposition of seeing the territory through the salesman's eyes. It is true that salesmen are frequently assigned impossible tasks and criticized or even dismissed for failure to perform them, because of lack of knowledge and appreciation on the part of the management of just what the salesman is facing in covering his territory.

It is also true that no amount of study and analysis of statistics, no matter how intelligently pursued, can be a substitute for actual trips into a territory with the salesman, to get a first-hand view of the conditions with which he has to deal, his handicaps, and his opportunities. In any conference where there is a discussion of the characteristics of some remote section of the country, the man who has been there has the best of the argument.

There are a great many points upon which it does not pay to argue with the salesman, but wherein it is safer to accept his judgment if it is conscientiously given. On the other hand, there are other points upon which the salesman has fixed convictions, which

he will maintain with stubbornness, although he may be diametrically wrong.

In the sale of consumer goods, the salesman ordinarily has most of his contacts with the wholesale and retail trade. When it comes to consumption, he may, if he is a keen observer, have fairly sound ideas as to what kinds of people are buying the product. He sees them as they come into the stores and he watches what they buy. However, it is a common habit to form conclusions from a few isolated and probably untypical observations, so that even on this point the salesman's judgment may be in error. He will probably be equally willing to express an emphatic opinion as to what proportion of the people use his product, and how they use it, although in all probability he has no genuine basis for such an opinion.

2. *The salesman not an analyst.*—It must be recognized that it is a rare thing to find a salesman who is at once a good salesman and a competent analyst. The very attributes that make a good salesman are opposed to those that are necessary in a good analyst. The salesman is essentially partial to the goods he sells. The analyst must be strictly impartial. The salesman, being human, is bound to make alibis for his own shortcomings in sales. Accordingly, when the management of a business allows itself to get into the habit of looking at the territory entirely through the salesman's eyes, it is almost certain to have an incorrect and distorted viewpoint.

It can probably be safely said that a majority of businesses of all kinds rely entirely too much upon their salesmen for the geographic and economic facts necessary for the appraisal and analysis of their markets. They do not make any distinction, let alone a logical distinction, between those facts they can get from or through the salesmen, and those facts that the salesmen need to be given authoritatively by the management.

A knowledge of the marketing geography of his territory, and of the various geographic units constituting it, is essential to the salesman's success. The facts with regard to buying capacity and disposition are necessarily the basis of his quota, if he is working on a quota, and it is necessary that he know these facts and appreciate their significance in order to work intelligently toward the accomplishment of his goal. Further than that, he frequently needs to know the data on buying power in order to sell them and their significance as applied to the promotion of his product to his merchants.

3. *The salesman can assist in gathering market information.*—The salesman can frequently contribute to the building up of such an appraisal or analysis of his territory by gathering, under the direction of his management, statistics from local sources that are not otherwise available. When employing salesmen for this purpose, it is good policy to avoid the necessity of elaborate reports, or the inclusion, in the reports required from them, of anything that might

be colored by the salesman's natural bias. A competent sales management will usually avoid burdening the salesman with too many duties and responsibilities that may seriously interfere with his main objective of selling the goods. On the other hand, the requirement of a certain amount of contact with banks, chambers of commerce, retail credit bureaus, and newspapers may sometimes be worth the time taken, not only on account of the sales indirectly resulting, but also because of the better understanding that the salesmen obtain of their territories.

4. *The town report.*—When a salesman is required to make an analysis of his market, whether partial or complete, it should be made in accordance with a carefully prepared outline furnished him by his sales manager. Its use will guide the salesman during the process of gathering the information, and inform both the management and himself with respect to the characteristics of the community. The following is an example:

OUTLINE FOR A TOWN REPORT

Compiled by R. O. Eastman, Inc., for a tire manufacturer

(1) Population: Latest census figures or average of estimates from several reliable sources, with increase since 1910?
(2) Topography: Is town mountainous, hilly, or fairly level? Condition of surrounding country in this respect?
(3) Condition of streets?
(4) Traffic Conditions: How much congestion is there in the downtown section? How well is congestion

handled? What are traffic regulations? How strictly and intelligently enforced?

(5) Activity of Clubs, Associations, etc.: Automobile club—dealers' associations? Drivers' unions? Ship by truck movement? Traffic department of Chamber of Commerce?

(6) Statistics on Dealers and Car Owners: Number of passenger car owners? Number of truck owners? Number of motorcycle owners? Number of passenger car tire dealers? Number of truck tire dealers?

(7) Ranking of Different Kinds of Dealers: What dealers in this town sell the most tires?

(8) Price Cutting: What is the condition in this town regarding price cutting? Is it pronounced, moderate, or unimportant?

(9) Best Selling Tires: List, if you can, in order of importance, the six best selling tires in the town. In case of a small town, give list of makes represented.

(10) Service Facilities: How well organized and equipped? Disposition of dealers on question of giving service?

(11) Individual Dealers and Dealer Possibilities: Who are most progressive dealers in the town according to your observations or comments of customers? What dealer possibilities have been mentioned to you?

(12) Location of Stores: Are principal tire dealers grouped in one section of town, in groups in two or more sections, or are they generally scattered throughout the town? This is principally of interest in large towns.

(13) Tire Branch Houses: Who operate tire branches in this town? How well located and conducted?

(14) Tire Manufacturers: Are there any in this or near-by towns? If so, do such manufacturers lead in this town as a result of location?

(15) Main Traffic Arteries: This is important in connection with large towns only. Consider both the manner in which streets are laid out and condition of streets as to the provision of thoroughfares for automobile traffic from the outskirts to center of town.

(16) Commercial Vehicles: Extent to which merchants, jobbers, and manufacturers employ trucks or commercial cars rather than horses? Rapidity with which truck haulage has been developed? How fast is it growing? Kinds and sizes of trucks most in evidence? How much long and short haulage?

(17) Truck Freight Lines or Contractors: Are there any in this town? If so, how many trucks employed? How long hauls do they make? How much city and how much country business?

(18) Motor Busses: Regular motor bus lines? Sightseeing busses? How profitable a business are they doing? How long have they been operating? Who owns them?

(19) Taxicabs: Kind of service? Has town one or more well-organized taxicab companies? Number and kind of cars employed, etc.?

(20) Truck Pneumatics: How progressive is town on equipment of trucks with pneumatic tires? How hard are dealers pushing pneumatics, etc.?

(21) Gas Filling Stations: Is town well supplied in number and location? What companies are most in evidence? What kind of buildings, attractive or ugly? Are companies buying their own property or merely leasing vacant property and putting up temporary structures? Do stations as a rule handle tires and accessories? Do they maintain good free air service? With or without attendants? What is price of gasoline?

(22) Touring: Consider both touring through the town and touring by residents of the town. Is there

any great volume of touring through the town? If so, from where to where? Where do the residents go for Sundays and holidays? Is surrounding country attractive and condition of roads conducive to pleasure trips? Opportunities for evening driving? Do hotels maintain information bureaus, and if so, how well are they organized?

(23) Used Car Business: How active? How handled? Mainly by regular car dealers or mainly by exclusive used car dealers?

(24) Street and Road Improvement: Activity in town and surrounding territory?

(25) Passenger Car Business: General conditions as reported by dealers? Is proportion of high-priced cars sold in the town apparently above or below normal? What do dealers say about this market?

(26) General Transportation Conditions: Especially important with large towns. How far do people have to go to get from homes to business? What facilities for such transportation, aside from motor cars? How much suburban development?

(27) Advertising: Kind of advertising done on tires in this town. Consider newspaper, billboards (distinguishing between paper and paint), electric signs, window displays, and street car advertising. Does electric company give a sign lighting rate? What tires advertised by means of posters (paper)? What tires advertised by painted billboards? What kind of advertising are dealers doing in local newspapers? What do they feature in this advertising? How well are billboards located, etc.?

5. *A "motion picture."*—The picture that is wanted through such a report upon a town, or upon a larger market, is a motion picture rather than a

"still." It must be dynamic, revealing not only the current industrial activity of the town, but also the trends. The important thing is to determine whether the town is coming or going, and what it is going to be in the next five or ten years. Small companies that have neither the facilities nor resources to make such analyses of their market must, of necessity, depend very largely upon the work of others and will find it valuable to pay attention to what the larger companies are doing in the projection of their future markets.

6. *How geography affects the choice of sales methods.*—There are very few manufacturers who do not have some variation in their sales methods throughout different territories. There are still fewer who have as much variation as they should have. Sales methods are too largely determined according to what has been the common practice in the industry, without due consideration of the actual requirements of the various geographic subdivisions making up the market.

Companies employing the method of sampling from house to house have found, upon careful analysis of cost and results, that some territories will stand for a very complete sampling, others will only pay out on a partial sampling, and in still others sampling is of such doubtful value that it should not be employed at all. It has also been found by many sales managers, in covering the retail trade, that more frequent calls, on an average, are required in

one territory than in another, perhaps because of a greater tendency on the part of the dealers to buy from hand to mouth. Almost every sales plan that is considered, particularly any departure from time-honored or established methods, should be subjected to the test of its fitness to the contrasting requirements of different territories.

7. *Planning the type of sales organization.*—A military commander, when lining up his battle front, surveys, with scrupulous care, the lay of the land and the position or probable position of the opposing forces. In the same way, the marketing executive, lining up his forces for his battle for increased sales, must take into consideration all of the advantages and disadvantages that appear on his marketing map, and the opposition that he has to meet on his various fronts from both the public and his competition. How many territories shall he set up? How large shall they be? How should they be supervised and directed? The answers to these questions, if they are to be sound, must come from a proper conception of the territorial requirements, both geographic and economic, rather than from a set idea of the kind of an organization that the company would like to have.

Will the territories be controlled by the home office, or will the control be delegated to generals or lieutenants in the field in the form of district managers or agents? This is one of the most important questions to be answered in the establishment of the sales organization, and, again, it should not be an-

swered according to the disposition or preference of the company to keep the control in its own hands, or to delegate responsibility, but rather by the extent to which there are differences in the requirements of the various geographic divisions.

Two of America's largest companies have headquarters in the same city and employ much the same type of marketing organization, in that they maintain their own branches, with a huge network of warehouses, and deal almost entirely direct with the retail trade, yet these two companies differ diametrically in one of the primary essentials of marketing. One maintains a rigid control over all of its branches from the home office and allows little discretion to the branch managers. Their rules are written down for them and are expected to be obeyed. The other company puts all the burden of responsibility upon its branch managers. They virtually run their own businesses, with no dictation from the home office as far as sales operations are concerned.

To a casual observer, it would seem that one or the other of these two companies must be entirely wrong in its policy of control. It is indeed possible that one may exercise too rigid a control for its own good and the other may not exercise enough. But neither can be entirely wrong, because they are among the most successful businesses in America. The answer seems to be that there is a vast difference in the products of the two companies and in the territorial requirements of their markets. While both do a

national business, one is dealing with local markets, local competition, local politics, and local requirements to an infinitely greater degree than the other. The general management feels that it can never be as well informed as the man on the ground as to the local conditions in the multitude of different markets that it serves, and therefore has adopted its policy of "hands off."

8. *How the plan of distribution is affected by geography.*—If the channels of distribution are to be considered as a part of the sales organization, as they properly may be, the type of organization will be further affected by geographic factors. Whether the manufacturer will employ brokers or selling agents in all territories, in some of them, or in none at all, should depend upon the territorial requirements and the degree to which the work that needs to be done can be done more effectively or more economically by selling agents. The same applies to the use of wholesalers and to the selection of the channels of retail trade through which the product shall be sold.

Many manufacturers are confronted with the question of whether they shall establish exclusive distribution (giving one dealer or one jobber the sole franchise for his territory), restricted distribution (allowing the product to be sold by more than one dealer or jobber but not by all), or general distribution (selling through all of the desirable dealers or jobbers in the territory). Where this question pre-

sents itself, it may be one of the basic points of policy to be decided, and a decision should not be made merely on an *a priori* analysis without consideration of territorial needs.

A not uncommon error is to attempt to secure general retail distribution through an exclusive wholesale agent, as occurs when a jobber is given the exclusive sale of a product in his territory and is expected to sell or attempt to sell every reputable retailer in the territory. There are exceptions, due to the peculiar strength of certain wholesalers, but as a rule this policy is preposterous. It is very seldom that a wholesaler has, or can get, all of the reputable dealers in his territory as his customers, even for an article of which he has the exclusive representation, unless the article in question is practically without competition and in universal demand. Ivory soap constitutes such an exception, and its manufacturers have been able to establish exclusive agents among wholesalers, where they did not choose to set up their own branches, and still maintain general retail distribution.

A grocery manufacturer who relies a great deal upon window display in the stores for the promotion of his sales will find it necessary to resort to other supporting sales methods in certain sections of the country, as in some of the Southern states, where a large number of the grocery stores do not provide windows suitable for such trims. A pharmaceutical house making ethical proprietaries, or those that are

recommended and used by physicians, will find it necessary to employ different methods in retailing to physicians throughout some of the Middle Western states, such as Ohio, Indiana, Michigan, and Wisconsin, than he does in other sections of the country, because of the large proportion of physicians in this section who dispense their own prescriptions. A knowledge of such peculiar conditions as those just noted is a very essential part of the marketing geography of businesses operating in these fields.

9. *Geographic knowledge needed by the home office.*—Whether the company decides upon a close or a loose control or direction of the territorial management from the home office, the problem of sales management is not modified. Indeed, it is probably increased rather than diminished by delegating the responsibility for sales management to districts or branches, for the company is likely to have, under this plan, as many varieties of sales management as it has branches. The responsibility is still lodged with the home office or general management for determining how good a job of sales management is being done by its various lieutenants in the field. This means a variety of sales analyses, which can only be pursued intelligently with the aid of an intimate knowledge of the marketing geography of each sales district.

The general sales manager, or his department, must at least establish or approve budgets and quotas. Setting up the sales task for the branch

office is a home office job. *Selling* that task to the district or branch sales manager is likely to be still more of a job. It will only be accomplished satisfactorily through a mutual recognition and understanding of those peculiar geographic and economic aspects of the territory that bear upon its requirements and its possibilities.

How can the home office check the salesman's performance, with respect to the number of calls made per day, without a knowledge of the geography of his territory and the opportunities and limitations it sets in making calls? How can the home office audit expense vouchers intelligently without an intimate knowledge of the geographic factors that bear upon the expenditures, the long jumps the salesman has to make, the kind of hotels he has to stop in, and the necessities his territory presents for ordinary expenditures?

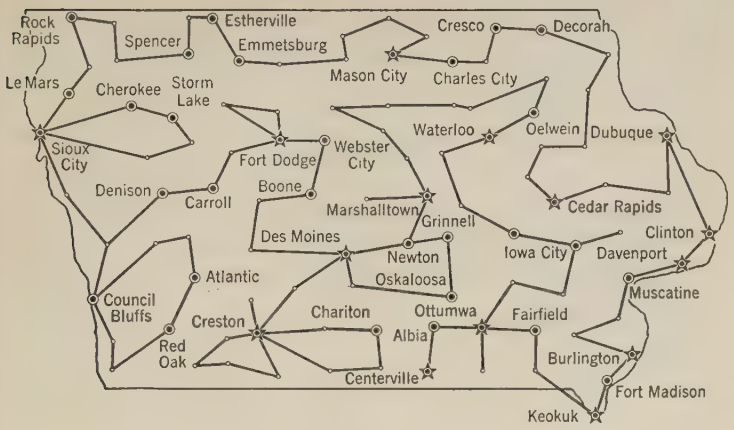
The answer is that it cannot, and that a vast amount of the home office work that is done along these lines is entirely perfunctory, and can serve no good purpose other than to impress the salesman or the district manager with the fact that someone in the home office is seeing the reports and has a chance to check up on him. When this is the case, the man in the home office may achieve a certain amount of moral restraint, so long as he keeps perfectly quiet about the reports, but when, without a basis of adequate knowledge, he begins to attempt criticism in these precincts, the bars are down, for the man in

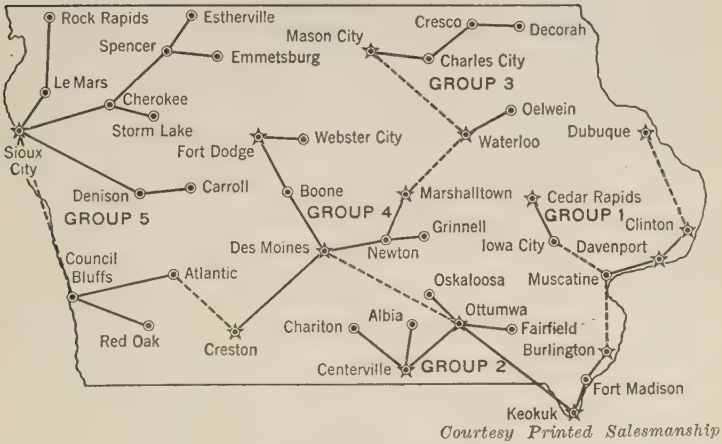
the field at once realizes that the home office "doesn't know what it is all about."

10. *Routing of salesmen.*—A genuine knowledge of marketing geography will permit of constructive management in the routing of salesmen. Many sales managers will give themselves a distinct shock, and make startling discoveries as to where some of the profits are going, if they will take several individual salesmen's route sheets for a month, or, if there are no route sheets, the expense reports, and sketch out or tack up their itineraries on a map, showing just what ground they have covered and how they have covered it. The results will frequently look like a jigsaw puzzle, the more so when the salesmen are permitted largely or wholly to route themselves.

The volume of business coming from any territory or town must always be related to the cost of getting that business, in order to determine the profitableness of the operation. Sometimes, it is true, it is necessary or is good policy to cultivate a territory at a loss, but as a rule this can only be done for a limited time, or for a distinct purpose.

A paint manufacturer in New York State was once boasting about the amount of business done in a certain territory. An analysis of the business revealed the startling fact that it was costing too much in sales effort, or, in other words, was getting more attention than it deserved. One village was developing $400 annual business, while the salesman was spending twenty-three days a year in getting that





Courtesy Printed Salesmanship

FIGURE 29—WHAT MARKET ANALYSIS DID FOR ONE SALESMAN'S PRODUCTIVITY

Upper—the original routing, a 3,062 mile trip covering 102 towns, with yearly business of $69,170

LOWER—the revised routing, 2,425 miles, 42 towns, with total business of $138,328

business. The cost of the salesman's time and expense was obviously much greater than the manufacturer's return.

REVIEW

Discuss the advantages and disadvantages of "seeing the sales territory through the salesman's eyes."

Explain the use of town reports for assisting the salesman in analyzing his market.

Show how territorial considerations may affect the choice of sales methods.

How do geographic factors enter into decisions as to the type of sales organization to be set up? As to the plan of distribution?

Summarize the need of more geographic knowledge by the home office in charge of sales promotion.

Show that the routing of salesmen should be more closely related to marketing geography.

CHAPTER XVII

GEOGRAPHIC FACTORS IN WAREHOUSING

1. *A common misconception of warehousing.*— The purposes served by the commercial warehouse are often misunderstood. Warehouses, particularly public warehouses, are commonly referred to as "storage" warehouses. In a way, the term "storage" is a misnomer; at least it creates a misconception as to the real function of the institution. Perhaps this is partly because so many of us have had experience with furniture warehouses, where we store the furniture no longer needed when we move or break up housekeeping.

While the commercial warehouse is, perhaps, too often employed as a repository for "dead" or excess stocks, that is by no means its principal or economic function. Primarily, the warehouse is employed for goods in motion, not for goods standing still. Just as the district or territorial sales organization is a manufacturer's outpost for sales contact with his trade, so is the commercial warehouse his outpost for the efficient and economical distribution of his goods. The functioning of the warehouse, the way in which it is built into his general scheme of distribution, and the strategical location of each warehouse play an

exceedingly important part in the manufacturer's marketing geography.

2. *Marketing function of the modern warehouse.* —The part that the warehouse plays in marketing may be directly compared with the function of the reservoirs forming a part of the water supply of a large city. The homes of New York and its suburbs, for example, are supplied with water from the mountain streams of the Catskills and other regions to the north. Lying between these streams and the metropolis are artificial lakes or reservoirs into which the water flows from its source and from which it is drawn, passed through a purification system, and forced under pressure into the mains that supply the city. The reservoir is required because of the variability in both the supply and the demand.

The gas companies, similarly, must maintain storage tanks with a capacity of many millions of cubic feet in order that they may manufacture gas steadily and economically and still supply the excessive demand that comes at certain hours of the day or on certain days of the week.

The analogy here is quite complete, for you will observe that both the water and the gas, even when "in storage," are not standing still but are constantly in motion on the way from their source to their destination. Gas is pumped into the tank at one end and drawn out at the other. In the same way, the "live" stock in a commercial warehouse is moving out, on an average, as fast as it comes in.

Every manufacturing business, to operate economically, must have some sort of reservoir for its product. It cannot speed up or slow down its operations according to the demand of the moment. There are fluctuations in the supply of materials from which the products are made, and fluctuations in the demand for, or use of, the product after it is made. If the average business had to time its operations to these fluctuations, the cost in unused plant capacity and idle time, and the corresponding cost of the finished product to its users would be multiplied many times. The warehouse serves, at this point, as the shock absorber of business.

Many manufacturers fail to realize that the warehouse offers an opportunity to provide in their business for that very important element known as "flexibility," or that such flexibility of production and operation is largely governed by their ability to establish reservoirs for their product in the form of warehouse stocks, as well as by their intelligence and skill in placing and manipulating these stocks.

3. *Need for warehousing varies among businesses.* —Every manufacturer of a tangible product has a warehousing function, but the exact extent to which it can or must be employed varies greatly with the nature of the product. A manufacturer of steam shovels cannot warehouse his product to any great extent, although he may at times manufacture more machines than he actually has orders for. The manufacturer of millinery cannot afford to have much,

if any, reserve stock in his business, because of the rapid changes in styles. The canner of fruits and vegetables, on the other hand, must do a great deal of warehousing, for he has to take the fruit and vegetables when they are ripe and, in a period of a few weeks, perhaps, turn out his production of a particular item for a full year's business.

The need of warehousing and the opportunity to employ it profitably are largely in proportion to the following factors:

(a) The fluctuations or seasonality of the supply of the raw product to the manufacturer
(b) The fluctuations or seasonality of the demand from the consumer for his finished product
(c) The opportunity for standardization in the form or style of the product
(d) The stability or lack of perishable qualities in the product
(e) The freight advantages to be derived from concentration of stock at warehouse points

The requirement for warehouses or distribution depots exists in the business of machinery manufacturers no less than in that of package goods. A large manufacturer of automobiles or trucks, for example, must have distribution depots throughout the country. He may own these himself or he may contract with independent distributors. An important part of his requirement is the distribution of replacement parts. For getting and keeping satisfied users of automobiles, trucks, tractors, or electric utilities, such as washing machines and vacuum clean-

ers, it is vital to make it easy for the owner to replace a broken or worn-out part quickly, so that the machine may be put back into operation in the shortest possible space of time.

4. *Warehousing has an interesting history.*— Long before the development of the present complex system of national distribution, the manufacturer, starting in a small way, made up his product and sold it from his factory direct to the user. His manufacturing kept pace with his orders and his orders with his manufacturing. The first time he found himself making more goods than he could immediately sell, his warehousing need emerged. He kept the goods, or "stored" them until they were sold. He added salesmen to increase his business. When the salesmen failed to bring in orders, he had to store more goods.

Then he sold retail dealers, and immediately passed on some of the storing requirement to the retailers or "storekeepers." That is where the name "store" came from. In early days the retail shop was much more of a "store" than it is today. The "storekeeper" would buy, in one order, enough goods to last him an entire season.

As the "storekeepers" and their trade increased in number, some of them started to do business on a larger scale and to sell to the smaller retailers. They became wholesalers. By this time, the manufacturer had wished the greater part of his "storage" job onto his wholesale and retail dealers. He might have the

equivalent of a year's production on their floors and shelves.

The country grew, the manufacturer grew, and his system of wholesale and retail dealers grew. With this growth, and with the development of outlets at a long distance from his plant, he began to feel the need of warehouse stocks in some of these remote sections, both to supply his dealers more promptly and to meet the competition closer at hand to them, and to get rid of some of the increasing volume of reserve stock at his factory which his growing business had made necessary.

At this juncture, the commercial warehouse, detached from the factory, came into being. All warehouses are, strictly speaking, "commercial" warehouses, but we use the term here to distinguish the warehouse whose function it is to handle products that are actively flowing through the channels of trade to the consuming market from those warehouses employed for the storage of raw products or such establishments as the furniture warehouses, which are devoted largely to the storage of personal belongings.

5. *Public and private warehouses.*—Commercial warehouses fall into two classifications, public and private. Only a comparatively few large manufacturers can operate chains of warehouses profitably and economically. Among them are the H. J. Heinz Company, with its "57" varieties of food products; the Pittsburgh Plate Glass Company,

with a national business in glass and paint products; the Crane Company and the American Radiator-Standard Sanitary Company, dealing in plumbing and heating supplies; and the American Steel & Wire Company.

Each of these companies, it will be observed, is not only a very large institution, doing a great volume of business, but is also the manufacturer of a wide variety of products. Exclusive private warehouses can only be maintained and operated profitably by businesses of this sort and by those who, like the first two named above, have especially exacting requirements with respect to the handling of their products.

Smaller companies, with fewer varieties of product, or sizes or numbers, but having a requirement or opportunity to maintain easily available stocks, will rely upon public warehouses. Public warehouses for merchandise exist in almost every center of importance throughout the country. They are highly organized and their operations and functions are considerably standardized. A strong organization, known as the American Warehousemen's Association, is maintained and has engaged in active research regarding most economical methods of handling merchandise. Some of the results of this research and standardization are embodied in "Warehousing General Merchandise: an Encyclopedia," published by the Association.

These public warehouses are very similar to

banking institutions; indeed, they are banks, the only difference being that they deal in tangible, physical merchandise instead of in its money equivalent. A directory of public warehouses, with pertinent information regarding them, is published annually by the business paper of this field, *Distribution and Warehousing* (New York).

6. *Conditions enhancing importance of the warehouse.*—The importance of the merchandise warehouse in the marketing operations of many companies, and as a key to their marketing geography, has been greatly heightened by those economic developments of the past few years described in the first chapters of this book. It has been, indeed, no unimportant factor in contributing to such developments. By making merchandise easier to get at—by bringing the merchandise depot closer to the doors of the merchants—it has encouraged trimming of dealers' stocks and so-called "hand-to-mouth buying." The warehouse is now the "store," and the merchant's place of business has become a salesroom.

When the retailer quit carrying long stocks, and the wholesaler followed suit rather than accentuate his warehousing function, the manufacturer found that the only place where his reserve stock was welcome was the public warehouse. The warehouse got the job. The manufacturer had to begin paying a regular price for a service that he thought he was paying the jobber for. At this point, the jobber frequently passed out of the manufacturer's picture.

The need for bringing the merchandise closer to the point of demand, because of modern requirements for speedier delivery and more intensive service, has increased the importance of the merchandise warehouse tremendously.

7. *Other services of the public warehouse.*—We have stated that the place of the warehouse in the distribution of merchandise throughout the country is frequently misunderstood. There is, likewise, a rather general lack of understanding of the detailed services that the public warehouse may be called upon to render.

Generally speaking, the warehouse is the connecting link between the factory and the territory and may function in almost every capacity related to the movement of the merchandise, with the exception of the actual selling of the goods. It receives the goods, pays the freight bills, inspects the shipments, enters claims for damages, and reconditions packages that are damaged in transit. In the reshipment of goods, it is not infrequent for the warehouse to receive orders direct from the customers and to make shipment to customers whose credit has been approved by the manufacturer.

The warehouse seldom passes on credits and is not, as a rule, responsible for them. It keeps a running inventory of stock on hand and may even take the responsibility of ordering from the factory the stock needed to replenish its supply. It keeps the goods insured. If drop shipments are "f.o.b. destination,"

or at manufacturer's expense, the warehouse pays the freight. Often the warehouse handles the billing for its principal.

8. *Business departments concerned with warehousing.*—Warehousing, in any large business, comes within the provinces of the production manager, the traffic manager, and the marketing manager. Each of these looks at it from a different point of view. The production manager is interested only from the standpoint of getting the goods out of the way after they are produced. The traffic manager is interested particularly in the economies offered by the warehouse in the transportation of the goods from his factory or factories to their ultimate destination. It is far cheaper for him to ship in carloads from the plant in Pittsburgh to a warehouse in Boston, and to reship the small less-than-carload orders of his wholesale and retail trade in the Boston territory from the warehouse stock. The marketing manager is interested primarily in having the goods that much closer at hand to his trade, thus insuring speedier deliveries, and in having the warehouses located where they will give the best and quickest service to the greatest numbers of customers.

At times, the traffic man's and the marketing man's viewpoints with reference to warehouse location may be at variance. For example, freight savings may be greater, perhaps, through locating a warehouse at Savannah, Georgia, or at Jacksonville, Florida, because of the water rates, which are much

lower than rail. But the marketing advantages may be altogether in favor of locating the warehouse in Atlanta, Georgia, a larger and more active market, with important local trade. In such a case, the decision must be made by the general management as to whether the marketing advantage is sufficient to offset the freight disadvantage.

9. *Warehouse stocks and shipments.*—Warehouse stocks are often referred to in marketing as "spot stocks," meaning a supply of merchandise placed on the "spot" where it is most available to the existing demand. The bulk of shipments to warehouses from factories is in carload lots, to take the lowest freight rate. Cars are unloaded, goods inspected and shipped on consignee's orders in smaller lots to customers. These shipments are known as "LCL" (less than car load) or "drop shipments." A common point of debate in marketing is the "drop shipment" policy of the house—the extent to which it will go in making small shipments, at its own cost, to customers.

10. *Determining the number of warehousing points.*—The manufacturer who employs merchandise warehouses has two important questions to decide in building up his warehousing system, namely: How many does he need? and, Where shall they be placed? In answering these questions he must be guided largely by geographic considerations, and when he has answered them he has established the capital cities of his own marketing map.

In deciding the number of warehouses needed he must be governed by:

(a) The volume of demand for his product
(b) The rate of turnover or rapidity of movement of the product
(c) The amount and kind of competition he has to meet
(d) The type of territorial sales organization, or the number and extent of his territories

The number and location of sales territories may influence the number of warehouses, or, as remarked in the chapter on sales territories, the necessities of the warehouse system may be a determining factor in the establishment of the territories.

11. *Determining the location of warehousing points.*—It is in the selection of the actual warehousing points that the utmost strategy should be employed, together with painstaking research. Unfortunately, these points are too often the result of accident rather than deliberate choice. A large shipment of goods is made to a certain market. Perhaps an order is canceled or the shipment is in excess of the immediate requirement. The excess is placed in a warehouse. It is shipped out as orders develop; merchants get in the habit of drawing on the warehouse; the manufacturer gets on a friendly working basis with the warehouseman; stock is replenished, and a warehouse point has been established. This is one of the hazards attendant upon the employment of the public merchandise warehouse. It is so easy to

set up a connection, and theoretically so easy to serve it, that oftentimes the marketing map becomes a hodgepodge, with an utter lack of logical order or arrangement in the selection of these primary points of distribution.

If the problem is approached at all scientifically, the following considerations must be carefully consulted:

(a) The location of the plant or plants of the manufacturer
(b) The freight tariffs; breaking points, or those places where higher rates go into effect; the freight advantages over competition
(c) The sectional or geographical demand for the product
(d) The density of the population, or of that part of the population from which business is derived
(e) The location of competitive activity—factories, branches, and warehouses
(f) The location and strength of principal customers, outlets, or agents
(g) The specific transportation facilities of the points alternatively under consideration
(h) The location and extent of the company's sales territories (unless these are to be determined subsequent to deciding the warehouse locations)

12. *An illustration of selecting warehousing points.*—To illustrate concretely the process of selecting a warehouse location, we shall presume that the manufacturer of soap is located in Chicago and is planning his original warehouse system. In his plan, he has allotted a warehouse to the South Central states—Kentucky, Tennessee, Mississippi, and

Alabama. He will automatically, and logically, decide to place his warehouse in one of the larger jobbing centers. That limits his choice to perhaps half a dozen cities—Louisville, Memphis, Nashville, Chattanooga, Jackson, Birmingham, or Mobile.

He eliminates Louisville because it is too close to a warehouse point already chosen in Indiana or Ohio, and not far enough into the heart of this territory to suit his requirements. He disregards Mobile and Chattanooga, because they are at the extreme border of this territory, and it is not economical to ship merchandise through a territory and then haul a large part of it back in small orders in the direction from which it came. A certain amount of back-tracking cannot be avoided in distribution, but the traffic manager always schemes to keep his goods constantly moving forward as much as possible.

These eliminations leave him Memphis, Nashville, and Birmingham to consider, all splendid jobbing points and traffic centers. He has an active competitive branch in Birmingham, let us say. Any one of these three cities will be a satisfactory sales headquarters. Now he is down to a point where a wise selection, and one which may mean a difference of thousands of dollars of business or earnings, can only be made upon a painstaking analysis (on paper) of the advantages and disadvantages of each of these three locations—in freight rates; in volume of business most economically served; in proximity to important customers; in combating competition. As

the characteristics of his own individual business enter strongly into this analysis, it is impossible to say which of these three cities should be chosen.

13. *An instance of warehouse selection on the Atlantic Coast.*—An importer of refined sugar decided to establish a chain of warehouses on the Atlantic Coast. His chief consideration was to effect, at once, as strategical a combination of distributing points as possible, from the standpoint of competition with the refineries on the Atlantic and Gulf coasts, and as efficient distribution to the consumer as possible.

His competition centered in Boston, New York, Philadelphia, Baltimore, Savannah, Georgia, New Orleans and Mobile. He decided, as a matter of sales strategy, to spot his warehouses between these refinery locations. Thus he would acquire a freight advantage over his competitors in the regions immediately surrounding his warehouse points. If he located his warehouse points to coincide with the competitive refinery locations, he was immediately at a disadvantage in selling an imported product against one locally produced, with no offsetting advantages.

The importer chose tentatively the cities of Portland, Maine, New London, Connecticut, Norfolk, Virginia, and Charleston, South Carolina. To confirm this tentative choice and to appraise thoroughly the selling advantages this warehouse chain provided, he made a complete analysis of freight rates out of

each of these points into its tributary territory, establishing zones of freight advantage surrounding both his own points of distribution and those of his competitors. The population of each of these zones was then computed and translated, by applying the known factor of per capita consumption, into terms of potential sugar sales.

14. *Chains of public warehouses.*—There are a number of chains of public merchandise warehouses

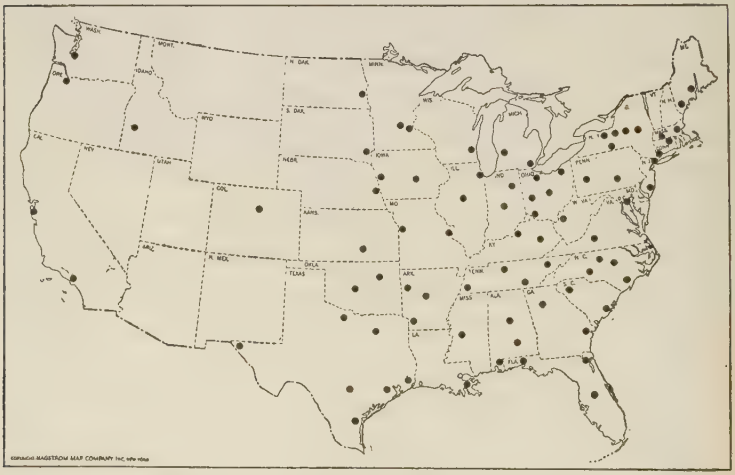


FIGURE 30—DISTRIBUTION OF UNITS OF AMERICAN CHAIN OF WAREHOUSES

at the service of the manufacturer seeking to secure a national distribution of warehousing points. Of these chains, the largest is the American Chain of Warehouses. This organization, which is twenty years old, has been developed in an effort to provide a system of strategic distribution points throughout

the United States. The distribution of its eighty members, as shown on the map (Figure 30), on page 312, is significant as indicating a logical warehouse distribution uninfluenced by the peculiarities of any individual manufacturer's requirements.

It will be seen that while this chain provides only two distribution points in California, Illinois, and Michigan, and only one each in such states as Idaho, Louisiana, and Maryland, there are four in North Carolina, four in Tennessee, and seven in Texas.

15. *Use of branch warehouses.*—A plan commonly employed by manufacturers who make a fairly wide variety of products, the sales of which are more active for some products than for others, is the maintenance of a limited number of "main warehouses," usually coinciding with the headquarters office of each sales territory, and a wider spread of branch or "sub" warehouses. For example, a main warehouse may be located at Atlanta, Georgia, where a complete stock of goods will be maintained, and branches or subwarehouses established at such points as Charleston, South Carolina, Jacksonville and Tampa, Florida, Birmingham, Alabama, Chattanooga, Tennessee, and Jackson, Mississippi. At these subwarehouses, only those lines or items will be stored that have the greatest volume of local demand. Merchandise that is in lesser demand will be shipped as required from the main warehouse. A manufacturer operating a chain of private warehouses will frequently build his own establishments

at his main warehouse points, and lease space or employ public warehouse service for his branches.

REVIEW

Discuss the service of the modern warehouse in increasing flexibility of production and operation.

Name the factors that must be present to make warehousing profitable for any manufacturing business.

Outline the history of warehousing.

Compare the interests in warehousing of the production, traffic, and marketing managers of a business.

List the considerations which govern the number and location of warehousing points.

Discuss the use of warehouse chains; of branch warehouses.

CHAPTER XVIII

GEOGRAPHIC FACTORS IN ADVERTISING

1. *Advertising on a continental scale.*—Although no one would think of planning a single advertising campaign to cover the entire continent of Europe, disregarding the pronounced differences in living habits and tastes among the various European countries, many advertisers treat the United States as a unit market in planning their campaigns. The United States has an area more than three-quarters as large as that of the entire continent of Europe, and considerably greater than that of Europe with Russia subtracted. It has as wide a variety of industries and occupations and as many different kinds of people, even though the differences may not be so pronounced.

The greater weight which an advertiser will give to the problem of planning and launching a campaign in Europe than to that of advertising in the United States is attributable almost altogether to the difference in his point of view. He realizes his lack of familiarity with the diverse customs, requirements, and languages of the European peoples. On the other hand, he assumes a familiarity with the United States which he does not possess, and he does

not realize, speaking idiomatically, that he "doesn't know the language" of many of the sections or classes that he is trying to sell or influence.

Of course this comparison is exaggerated and no strict parallel can be fairly drawn between the United States and the continent of Europe. If it were not for the real unity that exists in language, in customs, and in national thought and feeling, national advertising would be impossible in the United States. There could not even be a national advertising medium. On the other hand, research has demonstrated that there are important differences in the consuming requirements and potentialities of different geographic sections of the United States, which the wise manufacturer will recognize, even though his product may be nationally distributed and nationally advertised.

2. *Unifying influence of the national magazines.* —Some magazine publishers have pointed out that, because of the degree to which unity does exist in this country in language, government, commercial structure, and many other respects, the national magazine is distinctly an American institution. The United States, they contend, is the one country in the world in which national distribution and sale of merchandise can flourish to the extent that it does.

Certainly, we owe much to the publishers of the national magazines in the way of basic studies of markets, marketing methods, and market requirements. Were it not for the influence that these insti-

tutions have exercised, the progress that has been made in the past twenty to thirty years in this country in advertising, as also in all of those phases of merchandising and marketing that are necessary to make advertising effective, would doubtless have been much less pronounced.

3. *The "national" market a composite.*—One of the greatest needs of advertising, nevertheless, is the recognition that "the national market" is not a unit, but a composite of many different kinds of markets. No market analysis that is worth the name can be made without recognition and application of this fact. The first requirement of market analysis is to break down the aggregate or composite national market into its component markets, and it is in the contrasts between the characteristics of these market elements, particularly with respect to the product and its use, that the chief value of market analysis is found.

These subdivisions of the aggregate market are not all physiographical by any means. It is just as important, particularly to the advertising man, to determine the characteristics of those various cross-sections of his market that are represented by various classifications of people according to economic, physical, or mental attributes, as it is to study the contrasts between geographic divisions.

A clothing manufacturer, for example, will most certainly find different kinds of markets for his product among the different groups according to age,

stature, circumstances, and occupation, and such distinctions as he finds will have a decided bearing upon his choice of advertising appeals and upon his selection and use of mediums.

4. *Advertising works geographically.*—The merchandising phase of the marketing task, strictly interpreted, is to determine what kinds of goods the people want and as nearly as possible to provide them. The advertising function is to determine where the people are who want the goods or who can be made to want them, and how they can be reached most effectively.

Even when the advertising man has determined what kinds of people constitute the best markets for his product, he must, as a rule, reduce the proposition to geographic terms. This is true for the reason that he must buy and use his advertising very largely on the basis of geographic circulation or coverage.

5. *Analysis of advertising circulation.*—About twenty years ago, an advertising manager in the Middle West began to puzzle over the question of how the geographic distributions of his advertising and sales would agree. He had his sales figures by states, but he had no way of knowing how much of his advertising money was going into each state to help produce the sales. It occurred to him that if he could get the circulation of each of the many magazines in which he was advertising broken down by states, and prorate the expenditure for each magazine accordingly, he would be able to make an

interesting comparison. He found this was easier said than done, because, while the magazines could give him their subscription circulation by states readily enough, many of them, including some of the largest, had not attempted to develop for themselves, or for their advertisers, a breakdown of their newsstand sales.

Being a rather large advertiser, he succeeded in getting the magazines to go to work on the problem, and, in a few months, had such figures for the first time in the history of advertising as applied to an entire "list" of publications. He then figured three percentages for each state: (a) the percentage of his sales coming from each state; (b) the percentage of his advertising appropriation going into each state; and (c) the percentage of population for each state, with due allowance for proportions of illiterates. Taking the percentage of population so arrived at as his criterion, or quota, he made what was probably the first analysis of the effectiveness of national advertising in terms of sales results.

With the exception of three states in which abnormal jobbing or competitive conditions existed, he found that every state that had been receiving more than its due share of advertising was producing more than its due share of the sales. On the other hand, those states that had been receiving less than their share of the advertising were producing less than their share of the national sales.

This modest undertaking was the forerunner of the

elaborate analyses of the geographic distribution of circulation that are made available to advertisers today for all classes of periodicals, by the publishers themselves, by the advertising agencies, and by the Audit Bureau of Circulations. The advertising executive of today who fails to analyze the coverage he buys, to determine its correspondence with his sales requirements, has only himself to blame.

6. *Studying advertising coverage.*—In considering the problem of advertising coverage—how to study it and how to apply it to specific advertising requirements—there are certain simple fundamentals to be borne in mind, which are so obvious as to be elusive. One is the question of the advertising objective from a territorial standpoint. Does the advertiser want his advertising map to coincide in coverage with his sales map? Does he want the most circulation where he has the most sales, or the reverse? The answer depends on whether he is following the line of least resistance in supporting and protecting the business he now has, meanwhile endeavoring to make it more productive, or whether he is directing his efforts toward the cultivation of new markets and the acquirement of new users.

7. *How the medium is merchandised.*—It must be recognized that with the majority of mediums, particularly periodicals, advertising is a by-product of what we may term the *primary* merchandising and selling activity of its producer. The magazine or newspaper publisher first sells his product to the

public. Then he turns around and sells the advertiser the opportunity of reaching his public through his pages. Accordingly, the kind and amount of coverage that the advertiser gets is quite dependent on the way in which the medium itself has been merchandised and sold.

One magazine publisher emphasizes these facts in the following terms:

> *Cosmopolitan's* consumer market must be analyzed to answer the same sales questions that every manufacturer must answer:
>
> (1) What people constitute our best prospects?
> (2) Where are most of them to be found?
> (3) Through what channels can we reach them?
> (4) Knowing these facts, how and where can we get the greatest results from our sales efforts?
>
> The first three questions are quite easily answered for *Cosmopolitan* and for almost any product.
>
> The answer to question No. 4 is not simple—it goes to the very root of economic business administration. It involves a complete system of territory survey, to the end that we will know how to put our greatest sales effort where it will do the most good.

This principle applies indirectly even to the latest development in national advertising, the radio, in that the coverage that the radio advertiser secures is dependent upon the extent to which radio receiving sets have been sold, and the geographic distribution of a broadcast feature is in proportion to the geographic distribution of receiving sets, and their efficiency in getting the key stations satisfactorily.

8. *Weaknesses of national mediums.*—The natural tendency of a national advertiser is to employ, first of all, national mediums, such as the magazines. They are the easiest to use, and are generally recognized as offering the cheapest way of reaching a large proportion of the people throughout the entire country. However, the national advertiser must also recognize the inherent weaknesses of national circulation. One such weakness is its inflexibility. When he takes a page in a national magazine, or in two or three of them, he must accept the territorial coverage that they offer him, whether it coincides with his requirements or not. He cannot take off circulation in districts where he does not need it and he cannot add circulation in other districts, except by resorting to the use of localized and thereby more flexible mediums, such as newspapers, billboards, street cars, radio, etc.

The national magazine must itself be merchandized to the entire nation. Since there are few things regarding which the tastes of people differ as much as in their reading matter, this is a difficult task. A national magazine that has an outstanding strength in one section of the country, by that very token, will be found correspondingly weak in another. No editor or editorial policy can produce a publication circulating nationally with an absolutely uniform spread of circulation. Recognizing this, many publishers attempt to "control" their circulations through selling activity in sections where they are weak, so

as to provide the advertiser with a more uniform distribution than he would otherwise receive.

While publishers now provide their advertisers with very complete information regarding the geographic or territorial spread of their circulation, even breaking it down by counties and showing separately the subscriptions and the newsstand sales, they seldom present these statistics in such a way as to exhibit to the advertiser their relative territorial strength and weakness.

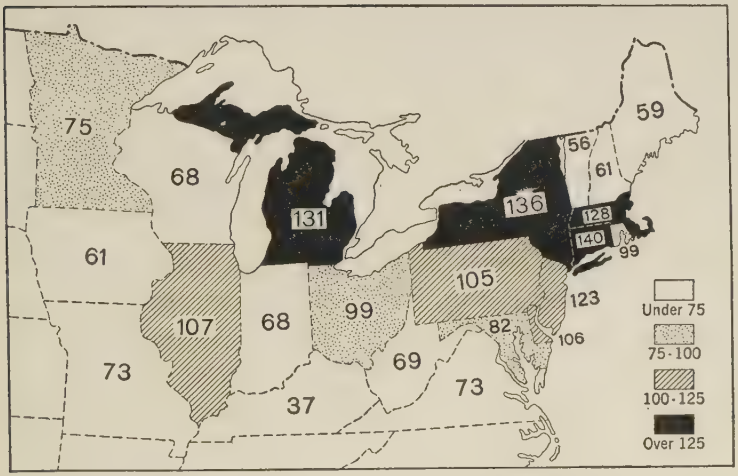


FIGURE 31—THE COVERAGE OF LITERATE FAMILIES PROVIDED BY A LEADING NATIONAL MAGAZINE, FIGURES SHOWING RATIO OF COVERAGE IN EACH STATE TO THE AVERAGE FOR THE UNITED STATES (100)

9. *An illustration of magazine coverage.*—The rather startling degree to which territorial strength will vary is clearly shown on the map on this page, which is based on the circulation figures published by

one of the leading national magazines. The unevenness of coverage by states is shown by the figures on the map and indicated by the shading. The ratio figure shown for each state is the degree to which the percentage of state coverage to literate white families is proportionately more or less than that of the entire country (100).

Rhode Island, Pennsylvania, Delaware, Ohio, and Illinois have approximately "normal" coverage, only a little above or below the average for the entire country. New York State, on the other hand, gets 36 per cent more than its share of copies of this magazine and of the advertiser's message. Ten of these twenty-two states get less than three-quarters of their share of the advertising, on a population basis, although this magazine is recognized as one of the best merchandised publications in the country.

Many of its advertisers would get a distinct shock if they realized the unevenness of coverage, territorially, that they have bought. They have not made the geographic study of the influence of their advertising that is necessary to present this picture. If Wisconsin, Indiana, Iowa, and Missouri are deserving of more advertising support, the advertiser in this magazine must either find other national publications that have circulations more concentrated in these sections or must supplement his national advertising by the use of local media.

The same sort of picture can be developed with respect to urban and rural coverage by territories,

as applied to automobile registrations, telephone homes, income tax returns, or any other desired characteristics, except that the analysis on any other basis than that above described would have to be of the coverage afforded by the publication *in relation to* the proportion of telephone homes rather than the actual coverage of those homes.

If such analysis as the above were made according to the market areas, or by smaller and more logical divisions than states, the reasons for these disparities in ratio of coverage would be more apparent. It is obvious that the peculiarities shown by the map on page 323 result from the concentration of the magazine's circulation within metropolitan centers. The influence of circulations in New York, Boston, Philadelphia, Detroit, and Chicago is plainly apparent.

10. *What to advertise.*—Carefully governed coverage is of little value unless the mediums selected to provide that coverage are skillfully employed. Skillful employment involves two factors that are strongly subject to geographic influences, namely, *what* to advertise, and *when* to advertise. The question of what to advertise may involve the selection of one or more of a number of items, styles, or numbers in a manufacturer's line. More commonly, perhaps, it involves a selection of one or more of the qualities or uses of the product, and the stressing of these in the advertising. There frequently is a pronounced difference between the kinds of copy appeal

that will be most effective in different regions or territories. A manufacturer of insulation board, for example, may use his local advertising in a farming region to encourage the use of his product in the construction of farm outbuildings, such as poultry houses. In a more densely populated section, where there is a high percentage of home ownership among the working classes, he may advertise the same product for additions or alterations in the home that are made by the owner himself. In another urban region, occupied largely by people who hire such work done instead of doing it themselves, or where there is considerable building activity, his advertising may stress the economy and comfort resulting from the use of his product strictly for its insulating capacity.

The magazine advertiser has less opportunity to differentiate between the appeals that are most effective with different classes or territories, though he may vary the keynote of his advertising in magazines circulating mainly in the cities and those having a particularly strong rural circulation.

11. *When to advertise.*—There are comparatively few advertisers whose activity and appropriations are distributed evenly throughout the year. Even with products that are used regularly throughout the year, there are usually certain seasons when advertising is most productive. The best times to advertise, when they are not dictated by the element of timeliness inherent in the product itself, as in the case of spring hats, winter overcoats, or tire chains, are:

(a) When the people have the most immediate use for the product
(b) When they have the most time to read about it
(c) When they have the most money with which to buy

Sometimes these circumstances will be in conflict. A farmer who is a logical prospect for a new tractor will have his most immediate use for it in plowing time, he will be in the best position to buy it after harvest time, but he will have more opportunity to read about it in the long evenings of the winter time. The advertiser must decide for himself which is his chief advantage—that of reaching the mind of his prospect, or that of reaching his pocket book, at the most favorable time.

To answer either question, he must study the characteristics of the various territories or cities in which he is advertising or in which he proposes to advertise. If he is considering agricultural regions, he must know what crops are raised and when they are harvested. In the cities, he must study the types of employment and the seasonality of employment, if it is sufficient to be a material consideration.

12. *Analyzing the advertising results.*—The foregoing considerations deal with the problem of selecting introductory or test territories and organizing the introductory work in such a way as to provide an intelligent and comparative analysis of the results. It is quite another thing to analyze the results of national or sectional advertising on an established product. In this Text we are concerned with this

question particularly as it applies to the determination of the difference between the net results of advertising in different zones or territories showing, territory by territory, what the advertising has accomplished and what it has failed to accomplish, and thus indicating the comparative territorial advertising requirements.

If a true analysis is to be made of the advertising effectiveness, a distinction must be drawn between the effectiveness of the advertising and that of the sales effort. We may say, in general terms, that the advertising can do no more than to make the public to which it is directed intelligently familiar with the product and its uses and favorably inclined toward it. At this point the sales effort, embracing the activities of the manufacturer's own organization and his dealers, must build tangible sales upon the foundation which the advertising has thus laid. Finally, the product itself must make good and retain the customers that have been educated by the advertising and sold by the sales effort.

Obviously, this definition of the advertising result embraces not only the first effects of the advertising upon its immediate readers, but also the extension of interest or goodwill through word-of-mouth advertising on the part of the readers, actual users, dealers, etc., all of which may be legitimately credited to the advertising.

Obviously, again, if the advertising result is to be measured in terms of sales volume and its fluctuation,

then the advertising gets both the credit and the blame for the success or failure of the sales effort or of the product itself in the hands of the users.

13. *A method of advertising analysis.*—The type of analysis of the advertising result which we shall now describe has been made under the writer's direction a great many times and applied to a wide variety of products. It has been given a very practical application in measuring the relative advertising requirements in various territories or sections of the country, as related to various classes of consumers.

The public, or any part of it, can obviously be broken down into the following five classifications, with respect to their familiarity with and use of any given product:

(a) Those wholly unfamiliar with the product
(b) Those familiar with name only
(c) Those familiar with nature or uses
(d) Past users
(e) Present users

Here we have the complete spectrum, with gradation from the lowest to the highest degree of cultivation. Generally speaking, all that can be expected from the advertising is to bring the public into the third class, familiarizing them with the product—its nature and its uses—and creating, so far as possible, a favorable reception for it. To classify the public in these divisions requires market research. Such

analysis can only be based, with any degree of accuracy, upon personal interviews with a sufficient number of consumers in each territory and a sufficiently careful distribution of such interviews as to produce a fair sample of each class of actual and potential users.

14. *Illustrative results of an actual analysis.*—To illustrate the practical application of this analysis, we reproduce two tables showing the results as applied to a food product and the contrast between four separate territories (Tables 6 and 7).

TABLE 6

RESULTS OF ADVERTISING

(Figures in parentheses show number of consumer reports)

Area	Wholly unfamiliar	Somewhat familiar	Familiar with name only	Recalls advertising	Seen in stores	Has bought
Total Group (3,171)	48.1%	51.9%	6.8%	17.3%	3.4%	24.4%
Territories:						
One (706)	41.3	58.7	13.5	18.9	3.4	23.1
Two (754)	57.5	42.5	3.8	11.3	4.1	23.4
Three (729)	48.3	51.7	6.0	18.8	6.2	20.7
Four (982)	45.5	54.5	5.0	19.7	0.7	29.2

Table 6 deals with the results of the advertising only. Observe that slightly more than half of the total group of consumers interviewed were at least familiar with the name of the product. While only 17 per cent had a definite recollection of seeing the advertising, the advertising and sales work had been sufficiently effective to produce at least a familiarity with the name of the product on the part of 52 per cent. This proportion ranged from nearly 60 per

cent in the first territory, to only a little more than 40 per cent in Territory Number Two.

Just a little less than one-quarter of the people had bought the product, as shown in the last column of the table, the percentages of purchases ranging from 21 per cent in Territory Three to 29 per cent in Territory Four. Plainly, there was no chance of selling those who had never heard of the product. As that eliminates practically half of the total group, or the proportion "wholly unfamiliar," it follows that nearly half of those upon whom advertising was effective, at least to the point of familiarizing them with the name of the product, were turned into purchasers. With 59 per cent familiar with the product in Territory One, and 42 per cent in Territory Two, we immediately see that the advertising (of every description) has been much more effective in the first territory than in the second.

The sales results in these two territories are almost identical in the proportion of the total number of consumers of each territory who were turned into customers (23 per cent in each instance), but in the first territory the sales have not "cashed in" on the advertising effectiveness nearly as much as they have in the second.

Table 7 shows the results of the same analysis with respect to the use of the product.

Table 7 shows that the people who bought the product are divided into two groups—those who had discontinued its use, and those who were found still

using it at the time of the analysis. A slightly larger proportion had discontinued its use than had continued, so that with the total group of consumers, the proportion of users retained was 47.8 per cent. Observe the degree to which these figures vary throughout the four territories, ranging from 33 per cent to 62 per cent.

TABLE 7

COMPARATIVE USE OF A PRODUCT

(Figures in parentheses show number of consumer reports)

Area	Non-Users	Past Users	Present Users	Proportion of Users Retained
Total Group (3,270)	76.3%	12.5%	11.2%	47.8%
Territories:				
One (715)	77.1	15.2	7.6	33.2
Two (784)	77.6	14.7	7.8	34.7
Three (780)	80.6	7.3	12.1	62.3
Four (991)	71.1	13.0	15.8	55.0

These are not simply the variations between the results in similar territories. The dissimilarities are largely due to geographic causes. The first two territories were sections in the North and the third and fourth were sections in the South. The more favorable results in the South, particularly with regard to the retention of customers after they had been sold, plainly reflect the greater predisposition toward the product on the part of Southern people under the influence of Southern climate and customs.

The importance of marketing geography to the advertising function in the business can be realized when it is appreciated that the questions of where, what, and when to advertise must be answered in

terms of geographic considerations, or in relation to their influence, before the products of the writer and the artist, or the much discussed elements of copy and design, can be put effectively to work.

REVIEW

Discuss the statement that the "national" market is not a unit but a composite of many different kinds of markets.

Should the advertising map coincide in coverage with the sales map?

Show that the national magazine, to become a good advertising medium, must itself be "sold," and that its merchandising efforts are likely to vary territorially in effectiveness.

Explain how geographic factors affect the problems of what and when to advertise.

Summarize the method of analyzing advertising results illustrated in this chapter.

CHAPTER XIX

WORKING METHODS AND WORKING TOOLS

1. *Geographic information should be organized.*— While a knowledge of the fundamentals presented in the preceding chapters will be of value to any marketing executive in his thinking through those phases of his work that may be affected by geographic or territorial considerations, that value will be greatly enhanced by applying these fundamentals to the business in an organized way. We shall consider, now, how geographic information should be organized in the individual business for practical use, what steps need to be taken in organizing it, what working methods and working tools are necessary, and what branches of the marketing organization are to be served. All of this is quite apart from the need of a background knowledge of geographic principles and of the geography of the market being cultivated, which has been repeatedly emphasized as an essential part of the executive's mental equipment.

We are considering now what needs to be done in the business whose territorial organization and information are either entirely lacking or are so plainly inadequate as to be in urgent need complete readjustment.

2. *Establishing the territories.*—The first necessary step is to construct, or reconstruct, the sales territories along the lines of the fundamental requirements that have been outlined. The territories need to be located, laid out with respect to size and shape, and given established boundaries.

This calls for careful choice of those market centers of principal significance to the specific business, then the determination of the trading areas surrounding these centers, and finally the combination of these areas into the requisite number of territories, with the proper distribution to serve the business.

There are probably few individual businesses that will not accomplish these steps to best advantage by making use of the trading area studies that have already been made through the painstaking research of others, as described in the preceding chapters. One of these, or perhaps some other "ready-made" territorial breakdown, may serve as a starting point. There is, even now, considerable latitude afforded in the choice between the 183 divisions established by the Department of Commerce and the 683 developed by the J. Walter Thompson Company. Any one of these arrangements will certainly serve as a better groundwork for the development of sales territories than the political map of the United States.

3. *Who shall collect territorial information?*—The first need in organizing the territorial information is one of personnel. The business needs someone who knows what information to get, how to get it,

and how to interpret and apply it intelligently. The average business either cannot, or will not, afford a trained statistician, to say nothing of a statistical department. Many businesses are not large enough to require such a separate functionary. Still the function is one that should be supplied in every business, large or small. In a small business the function may be performed by the sales manager himself, or by an assistant or bookkeeper under his direction. Whoever assumes the function of compiling the necessary facts and figures will do well to keep in mind that there is more danger of compiling too many than too few—that a discriminating choice is necessary. Facts are usable only after their source, their accuracy, and their significance are definitely known.

4. *Kinds of territorial information needed.*—The facts and figures that are needed fall under two main headings with respect to their significance—those relating to sales opportunities and those relating to sales performance. They also fall into two broad classifications with regard to their source, namely, those coming from within the business and those from without.

Neither the sales opportunities, nor the performance upon them, can be determined solely from inside or outside sources. It is often considered that the sales opportunities are best disclosed by an examination of data from outside sources, which tend to show the buying capacity of the various markets of

the product in question, but it is only through a study of the sales records that it will be seen where those opportunities have been exploited to best advantage, and where they have not.

On the other hand, sales performance may be indicated only in a very sketchy way by the records of the company. With the many concerns that sell through brokers, selling agents, or wholesalers, it is often impossible to get any intelligent appraisal of the percentage of retail distribution, territory by territory, without a market survey.

5. *Using data from within the business.*—It is logical to start with the organization of the facts that are available from within the business—from the company's books and sales reports. First, secure a definition of the territories in terms of what the people in the business already know about them. Next, get the sales figures of the business, territory by territory. The sales figures are in three divisions, namely, sales results, sales effort, and sales expense. They answer the questions: What did we get? What did we do to get it? What did it cost us?

For purposes of analysis, particularly for territorial comparisons, these figures should be reduced to the simplest possible form. Many businesses have too many figures and too little analysis. On the other hand, the analysis must be sufficiently comprehensive to tell the story. Sales results, when analyzed according to dollar volume, may not afford a fair basis for comparison. If prices fluctuate, or if

there is a line of products of varying qualities, sizes, or prices, it may be necessary to analyze sales results by both unit and dollar volume. It may also be necessary to analyze them according to numbers of customers sold, new accounts opened, or by still other considerations, depending upon the sales objective.

Sales effort includes all of the selling activity that has been put forth—sales and service calls, demonstrations, sampling, window displays, direct mail, and publication advertising in terms of circulation.

Sales expense embraces the cost of all the effort that has been put forth in both selling and advertising, including administration.

In setting up these records, these three main headings will be subdivided according to the needs of the business. Sales results will be broken down as the product of the company and the sales objective may determine. Analysis of sales effort in its simplest form will certainly show sales work and advertising separately, while analysis of sales expense will almost invariably be broken down into several items, such as administration, salesmen's time, salesmen's traveling expense, and advertising. The three elements of sales result, sales effort, and sales expense must always be studied in relation to one another.

6. *Significance of territorial contrasts.*—Sales analysis is most useful when intelligent comparison is made between the various territories and between the individual territories and the country as a whole,

but, if comparisons are to be made with sufficient intelligence to arrive at a fair conclusion, these figures must be supplemented by an intimate understanding of the territories themselves.

To know that one district has produced more than its due share of business at less than its due share of expense or effort is not enough. It is necessary, also, to know the contrasts between the two territories that are being compared, with respect both to the relative sales opportunities or potentialities and the resistances, geographic or economic, that have to be overcome, either through the sales work or the advertising.

7. *Using data from outside the business.*—One of the most perplexing problems in analyzing territories is that of determining what facts from outside the business are needed. This calls for the exercise of plain common sense rather than statistical acumen. There is an abundance of statistics available from the government and from other sources, many of which have been referred to in the preceding chapters. Some may have a direct bearing upon the marketing requirements, or possibilities, of the specific business under consideration, others an indirect bearing, and still others, no bearing whatsoever.

Whether the object is that of setting up sales projections or sales quotas to govern or regulate production or sales effort, or whether it is to provide a basis for analyzing the thoroughness and efficiency of the past cultivation of the territory, or merely to check

current performance, the basic requirement is the same, namely, an intelligent appraisal of the size of the market for the commodity in question, and its character. Only when some such appraisal has been made is it possible to allocate the credit or the blame for satisfactory or unsatisfactory results, and to determine how much of that credit or blame attaches to the territory, and how much belongs to the salesman or the company. The scope of such an appraisal has been well defined by Joseph B. Wells, in *Printers' Ink Monthly:*

> This appraisal need not be an involved process unless one cares to make it that. Any logical method can be followed, provided only that it is responsible and accurate. Some merchandisers have gone in for appraisal like a débutante goes in for bridge—head over heels. This is not necessary. Others with an aversion to graphic charts and ultra-scientific calculation are satisfied to count the noses of America's vast and varied people, figuring that "we ought to be able to sell so many out of so many," and they let it go at that. This is unusually unwise.
>
> From a practical standpoint, there is a growing conviction that appraisals should be simple calculations based upon realities. There is a critical feeling among men who work with appraisals that appraisals fall short of their mark if they rely too much upon mathematics and fail to consider the human element involved. There is a viewpoint among men who have bumped into unsound appraisals that the true basis for fixing the value of new territory to a business bears a greater relationship to the abilities of the organization to produce than it does to the per capita consumption of the territory. Wise sales managers, astute advertising managers, and patient general managers know of very fine territories that were in the hands of very weak

men—and per capita averages did not seem materially to increase the volume. They have come to the point where they now prefer to base appraisal upon the average ability of their organization—for averages arrived at from this viewpoint seem to hold true much better than calculations which give less attention to the human element.

8. *Market indices.*—A market index is defined by Percival White as "a set of statistics, or a combination of several sets of statistics, which bears a certain relation to sales potentialities in any given territory, and may therefore be said to indicate the degree of market opportunity. It determines only the potential market for the product of the industry, not of the company. What the sales of a certain product should be in any given section can be determined by means of a reliable market index. But the percentage of this market which should be obtained by any given company must be determined in other ways, usually by means of an arbitrary percentage of the potentialities."

Among the specific market indices that are listed by Mr. White in his study are population, income tax returns, and a series of value of product indices, including:

(a) Value of manufactured product
(b) Value added by manufacturers
(c) Value of farm crops
(d) Value of live-stock products
(e) Value of mineral products
(f) Value of fishery products
(g) Total value of production

Other indices are automobile ownership, telephones, magazine circulation, and trade activities, including number of banks, total bank deposits, bank clearings, savings-bank depositors, building activities and mercantile ratings, number of retail outlets, and buying habits.

Among the magazine circulation indices, the one most frequently referred to is that of the Curtis Publishing Company, which presents an analysis of its circulation in the form of "sales quotas by counties." Some of the leading national advertisers use these figures exclusively, having found nothing else that will provide them with a better measurement. The combined circulation of the three Curtis publications —the *Saturday Evening Post,* the *Country Gentleman,* and the *Ladies Home Journal*—furnish a satisfactory index to markets because of the balance secured in the combination. The *Saturday Evening Post* has its most intensive circulation with the urban population, the *Country Gentleman* with the rural population, while the *Ladies Home Journal* has a more even distribution among both urban and rural communities. It is obvious, however, that such an index can be strictly applied only when the manufacturer has a product going to the general public with as general an appeal as that of the combined Curtis publications, selling to both urban and rural consumers.

9. *Get it on the map.*—Having compiled the data with regard to the relative sales performance

Courtesy Rand, McNally & Co.

FIGURE 32—USING A MASTER MAP TO STUDY DEALER DISTRIBUTION

of each territory and the relative possibilities, the next step is to get it all on the map. Nothing is more enlightening to the average man than to see such figures attached to the actual territory. Many sales managers place on their office walls large maps of the United States or of the territory under their supervision, subdivided into sales districts or territories, and showing, by means of labels or symbols of various kinds, the appraised value of the territory and just what has taken place in each territory in the way of sales results, sales work, and possibly sales expense.

Sometimes the sales results are shown cumulatively both for the elapsed period of the year and for the current week or month as well. If such figures are reduced to percentages or ratios to the performance of the entire country or the aggregate territory served, comparisons can be more readily made. In some concerns, these sales results are passed on to the district managers or the salesmen in the form of maps visualizing the sales performance, and showing more clearly than is possible with any set of figures where weaknesses exist.

10. *Working tools.*—The working tools for the study and administration of sales territories and other geographic requirements will depend upon both the nature and the size of the business. Maps come first, and these may be of various sizes and forms and for various purposes. In a large organization, one map may show the sales territory with

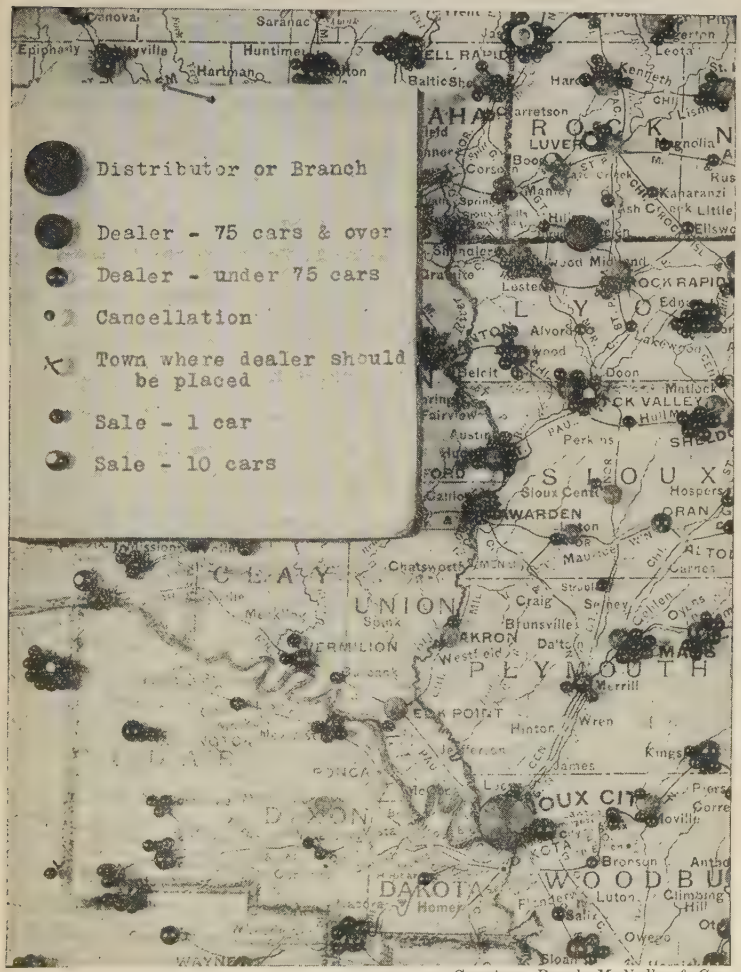

Distributor or Branch
Dealer - 75 cars & over
Dealer - under 75 cars
Cancellation
Town where dealer should be placed
Sale - 1 car
Sale - 10 cars
Courtesy Rand, McNally & Co.

FIGURE 33—A SECTION OF A MARKETING MAP USED BY A LARGE AUTOMOBILE DEALER

a visualization of the distributive system, including warehouses and wholesale or retail dealers. Another may show the territorial distribution of sales work of various kinds. Still another will show the advertising circulation, and others will be employed to tack up the routings of the various salesmen.

The "map and tack system" is a familiar working tool of most sales managers. Maps for this purpose are provided with cork or composition board mounting, either in the form of wall maps, swinging maps, or cabinet maps. Tacks are furnished in a variety of sizes and colors, ranging from large celluloid covered tacks, on which figures or names can be printed, to small tacks with heads of colored glass. Thus a certain size or color of tack may represent a given salesman and may be used on the map to show his routing. Or, on a map visualizing the amount and kind of distribution, different colored tacks can be used to represent different kinds of dealers, different credit ratings, and so on.

One sales manager of a food establishment employed over a considerable period a large map, on which, throughout the year, tacks were inserted for every unit of sales work, salesmen's calls, sampling, demonstrations, etc. This enabled him to visualize the progress of the work during the year as he could not possibly have done by any other means. By December 31, when some 80,000 tacks had been put in the map, he was able to see certain inequalities and inadequacies in his sales work that probably

would not have shown up through the most painstaking analysis. A good commercial atlas and the "Official Railway Guide" are almost indispensable tools for any business marketing its product nationally or by large sections.

Sales reports and customers' records, properly organized and analyzed, constitute an important part of the working equipment. A collection of well-chosen reference works, including government reports and the market studies developed by other agencies, is indispensable. Special services, such as those of the Babson Statistical Organization, the F. W. Dodge Company, the Brookmire and Harvard Services, are found useful by many businesses. The "Business Enterprise Count," made by R. L. Polk & Company by counties, sometimes fills a need that cannot be supplied elsewhere. The Dun or Bradstreet commercial ratings, the Thomas "Register of Manufacturers," the Thomas "Directory of Wholesale Grocers," and similar volumes provide information of vital importance to different kinds of businesses.

11. *The census of distribution.*—A development of great value and importance to the marketing world is the census of distribution of merchandise which was incorporated in the 1930 census program. For many years the census has included production statistics relating to agriculture, manufacturing, and mining, but there has been an absence of dependable facts with respect to the activities and operations of

retailers, wholesalers, and other distributors. The plans for this division of the census have been described by Robert J. McFall, Chief Statistician for Distribution of the Census Bureau, as follows:

The new developments in the census will give information regarding industrial marketing, which has never before been available, and will amplify certain other valuable information which has heretofore been available in less elaborate form.

An entirely new departure has been adopted to show the sales channels through which manufacturers market their goods. A new question has been introduced in the manufactures schedules asking the manufacturers to break down their total sales into those invoiced to wholesalers, to retailers, to other manufacturers, etc. The data compiled from this inquiry will show the proportion of sales made by each manufacturing industry through the various distributing channels, but, of course, will not give these details for individual commodities.

A thoroughgoing, classified count will be taken of the various types and sizes of retailers, wholesalers, and all other merchandising concerns in the whole country. Their sales, expenses, inventories, employees, and wages will all be counted.

Reports collected from individual merchants will show the location of each establishment; whether it is operated by an individual, partnership, corporation, or coöperative association; how long it has been in business; and whether it is an independent store or a unit in a chain group.

Particular emphasis is being laid on the question of sales, the total sales volume in dollars being asked of each merchant. Totals for this information will be compiled for each type of merchant, each size group, and each locality. All merchants are also being asked to tell what part of their sales is made for cash and what part on credit.

These census compilations will afford a mass of new and

valuable data which every distributor may use as a yardstick with which to measure the operations of his own business. He will be able to compare his own affairs with those of others in his own community and elsewhere in regard to number of employees, salaries and wages, expenses, amount of sales for cash and proportion on credit, the relation of inventory to sales volume, the variety of stock carried, and many other items. These comparisons may be made on the basis of detailed classifications of establishments divided geographically, by type and class of establishment, class of goods sold, and size of business. All these comparisons will be of very practical value, both to the business analyst in his search for new efficiencies in our economic structure and to the individual business man in his struggle to improve his own affairs.

12. *Department of Commerce publications.*—Following is a list of Department of Commerce publications bearing directly or indirectly upon the problems in marketing geography. In addition to these, there are many publications dealing with individual industries or products, such as the "Domestic Market Possibilities for Electrical Merchandising Lines," "Analysis of Stocks in Hands of Radio Dealers Throughout the United States," "Domestic Market Possibilities for Sales of Paints and Varnishes," etc.

"Market Data Handbook of the United States." Domestic Commerce Series, No. 30.

"Commercial Survey of New England"—in three parts:

PART I. "The Industrial Structure of New England." Domestic Commerce Series, No. 28.

PART II. "Commercial Structure of New England." Domestic Commerce Series, No. 26.

PART III. "Market Data Handbook of New England." Domestic Commerce Series, No. 24.
"The Retailer and the Consumer in New England."
"New England Manufactures in the Nation's Commerce."
"The External Trade of New England." Domestic Commerce Series, No. 19.
"Commercial Survey of the Southeast." Domestic Commerce Series, No. 19.
"Transcontinental and Intercoastal Trade of the Pacific Southwest in 1926." Domestic Commerce Series, No. 26.
"Commercial Survey of the Philadelphia Marketing Area." Domestic Commerce Series, No. 1.
"Statistical Abstract of the United States."
"Foreign Commerce and Navigation."
"Pacific Southwest Survey." Domestic Commerce Series, No. 37.

13. *Commercial surveys.*—The importance of broad geographic information, "the use of which would tend to reduce the losses entailed in blind marketing and experiments," has been recognized in a substantial way by the United States Department of Commerce in the series of commercial surveys that are now being conducted through its Domestic Commerce Division.

The plan and purpose of these surveys is described by Howard C. Dunn, Chief of the Domestic Commerce Division:

A commercial survey represents a collection and analysis of facts bearing on business, including the economic factors upon which business is based and information on the commercial system as it exists in each region. The principal objective of the survey is to translate all this information

so that the results can be put to practical use by business men. Thus it is that geographic resources and population have their place here, each treated with one purpose in mind only, that of showing its relation to business. Each of the major industries in an area is discussed with the idea of showing its relation to business and its effect on the ability of people to buy. Thus, a considerable portion of the work comprises the setting in which business is transacted, after which a description and analysis of the distribution system in each territory is outlined. Finally, there is given an analysis of the type, kind, and quantity of goods which the people buy, and any facts which will throw light on the trend of events which affect consumers in the area. Practically every governmental agency collects and disseminates information that has some bearing on business. What the commercial survey attempts to do is to take those facts which have been developed and show, first of all, how they are related to business, and, secondly, analyze them and present them so that they will be readily understandable by the business man.

It is interesting to observe the plan of the report in which the Department's "Commercial Survey of the Southeast" is presented. The volume is almost equally divided into two parts. The first half is devoted to the background information with regard to the area, as indicated by the accompanying table of contents:

CONTENTS OF COMMERCIAL SURVEY OF THE SOUTHEAST
United States Department of Commerce (Condensed)

Area and objective defined

Geographic basis of commerce in the Southeast
- Major geographic divisions
- Climate
- Water resources
- Vegetation
- Minerals

Influence of population on commerce
- Rural element
- Predominant native element

- Density and racial distribution
- Increase in population
- Population movements
- Urban growth
- Sex and age distribution
- Occupational distribution
- Literacy conditions
- Population and market expansion

Agriculture
- Crops and land tenure
- Cotton
- Tobacco
- Tenant system and cropping arrangements
- Credit system
- Present status of cotton and tobacco
- Cotton and tobacco coöperatives
- Fruits, nuts and vegetables
- Food and forage crops
- Live stock
- General farm conditions

Forest industries and products
- Coastal plain or softwood area
- Hardwood belt of the highlands
- Piedmont mixed growth
- Lumber and allied industries

Commercial aspects of fisheries
- Trend in production
- Market for fish products
- Persons engaged in fisheries

Sales promotion
- Character of regional market
- Factors affecting business
- Merchandising problems
- Merchandising in Florida
- Commissaries
- Amusements
- The price factor
- Advertising

Commercial mineral and water power
- Minerals
- Hydroelectric development

Manufacturing
- Growth of the industry
- Fertilizers
- Vegetable oils
- Textiles
- Wearing apparel
- Tobacco
- Iron and steel
- Furniture
- Maintenance industries
- Foodstuffs
- Trend of industrialization

Commodity movements and distribution
- Historical basis
- Major Piedmont and mountain cities
- Cities of eastern North Carolina
- Fall-line and other coastal-plain centers
- Resort cities
- Port cities
- Exports and imports
- Rail movements
- Freight rates
- Highways

Wholesale distribution
- Wholesale trade areas
- Wholesale outlets on basis of capitalization
- Wholesale coverage
- Factors or agencies
- General tendencies

Retail merchandising
- "Time" merchants
- Changes during postwar period
- Tendency toward short-time credit
- Economic changes
- Effects of good roads and automobiles
- Realignment of retail centers
- Mercantile credit

Indexes to income and commodity preference
- Changing commercial relations
- Agricultural consumers
- Industrial consumers
- Analysis of income
- Basic needs of area

A more recently published volume in the Department of Commerce series is a survey of New England, which is presented in three parts, the first being devoted to the industrial structure of New England, the second to its commercial structure, and the third being a market data handbook of New England.

Even the most casual study of these two volumes will reveal the fact that the marketing geography of the two sections is as different as is their physical geography and will impress the reader with many unsuspected differences that cannot help having a vital bearing upon his own specific selling requirements.

REVIEW

Outline the steps to be taken in organizing geographic information for a business lacking an adequate territorial set-up.

Show that market information should be collected from within the business, as well as from outside sources.

Explain: "Sales results, when analyzed according to dollar volume, may not afford a fair basis for comparison."

Discuss the statistical items that may be used as market indices. Why is magazine circulation a favorite index with many manufacturers?

Describe the use of map and tack systems for charting market information.

Indicate the importance of: the new Census of Distribution; studies of trading areas; commercial surveys.

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